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# USSR Report

WORLD ECONOMY AND INTERNATIONAL RELATIONS

No. 9, September 1982

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13 May 1983

**USSR REPORT**  
**WORLD ECONOMY AND INTERNATIONAL RELATIONS**

No 9, September 1982

Translation of the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations, USSR Academy of Sciences.

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## ENGLISH SUMMARIES OF MAJOR ARTICLES IN 'MEMO' JOURNAL

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYYE OTNOSHENIYA in Russian No 9, Sep 82 pp 158-159

[Text] The article "The Real Socialism and Concern for People's Well-being" is dedicated to the successes of the USSR, the world's first single federal multinational state which was set up 60 years ago. The decisive role in establishing such a state was played by the Russian Federation with all Soviet Republics rallying round it on a voluntary basis. The sixty years that have passed are marked by rapid socio-economic development of the Soviet Union, that has become a mighty industrialized power with a highly mechanized agriculture, advanced science and culture, which tackles ever more magnitudinous and complex tasks in the field of creating the material and technical basis of communism. A comprehensive programme for tackling these tasks was set forth by the 26th Congress of the CPSU, the central objective of which is to ensure the further improvement of the Soviet people's well-being on the basis of the steady and constructive development of the national economy, accelerated scientific and technological progress, the transition of the economy to the road of intensive development, the more rational utilization of the country's production potential, the maximum saving of all types of resources and an improvement in the quality of work. A special Food programme for the period ending in 1990 is a fundamentally new step in the system of our planning, in the management of the socialist economy. In its character and scale it is called upon to ensure the further progress of the entire national economy.

G. Kim in the article "The Soviet Union and the National Liberation Movement" (Dedication to the 60s anniversary of the USSR) considers the influence of the USSR on the development and prospects of the national-liberation struggle in the Orient. The author reveals the fundamental causes of the collapse of the colonial system of imperialism and shows at the same time the organic connection between the socialist system and the national liberation struggle. The alliance of the three main forces of our times: the world socialist system, the working class of the advanced capitalist countries and the national-liberation movement contributed to the crash of the disgraceful system of colonial oppression. This very alliance has become in modern times one of the prerequisites for uniting the national and social liberation of peoples. The author points out to the contribution of the classics of Marxism-Leninism to the theoretical elaboration of the question of the national-liberation struggle. He also shows how the former colonies and semicolonies turned from an object of

world politics into its subject as a result of the collapse of colonialism. It is pointed out in the article that one of the prerequisites for developing the national-liberation revolution number of developing countries into a national-democratic lies in the realization by an increasing number of people in the developing countries of the need not only for national independence but deep socio-economic transformations as well. These countries with great interest turn to the experience of the USSR in the field of national state construction, the transition of formerly backward peoples of tsarist Russia to socialism bypassing capitalism.

The article stresses that cooperation between socialist and newly independent countries has been developing in three interdependent fields of relations of interstate nature such as: economic, political and diplomatic spheres as well as the rendering of certain aid to the developing countries in repulsing imperialist aggression.

L. Lubimov and I. Goryev in their article "The World Ocean: New Legal Foundation for Peace and Cooperation" speak about the adoption of all-embracing convention on the law of the sea at the 11th session of the Conference on the Law of the Sea in New York. The Soviet Union and other socialist states played an important constructive role in the drafting and adoption of the convention. The article stresses that responsible and patient course of Soviet diplomacy, served as an important factor in gradually bringing together the positions of different states and in overcoming unilateral tendencies. The USSR had proceeded from the expediency of establishing through the adoption of a convention on the law of the sea a legal regime conducive to the development of international cooperation and the utilization of the ocean's resources in the interests of all states, with special consideration for the interests of the developing countries. While ensuring the sovereignty and interests of littoral states in their territorial waters, the convention takes into consideration the interests of world shipping and naval activities. Thus the convention accords with the long-term national interests of all littoral developing states, the interests of land-locked states and other countries in geographically disadvantageous position.

The objective trends of imperialist development urge the elaboration of the coordinated foreign policy, the expansion of the multilateral cooperation and the carrying out of collective actions in order to strengthen the international position of imperialism.

G. Prokhorova examines the attempts purported to establish the coordination system of the economic policy within the OECD. Her article "The Search for the Unified Strategy and the Interimperialist Contradictions" is devoted to the analysis of the contemporary coordinating mechanism, of its feasibility and limits leading to the emergence of the, so to say, double-layered system including annual "big seven" summit meetings. The discussions during these meetings comprise problems of foreign policy and military security which are beyond the competence of the OECD.

The author observes the results of the recent summit meetings and reaches the conclusion that they didn't contribute substantially to the resolution of the

aggravating economic difficulties of the member-countries besides solely the field of energy problems where common interests provided for the higher level of coordination. Such urgent problems as monetary disarray, trade wars, domestic inflation and growth of unemployment along with the economic recession are still on the agenda despite numerous declarations to offset them on the collaborative basis.

The contradictions stemming from the divergent positions of the member-countries of the OECD towards the North-South and West-East relationship add to the large range of the interimperialist conflicts. Crises of the mid-70's, shifts in the balance of forces, Washington's anti-detente orientation exert negative influence on the perspectives of the international coordinating mechanism.

On the firm basis of Marxist methodology and Lenin's theory of imperialism T. Belouss thoroughly traces the origins, evolution and the main features of the relatively new phenomenon on the world capitalist economy namely the international banking monopolies. Numerous examples and statistical data given in the article "Banking and Industrial Monopolies within the Framework of the International Financial Capital" testify to the growing interrelation between the international banks and industrial firms in the sphere of production activity and the mounting expansion of the credit services on behalf of the multinational enterprises.

The increase of the offshore banking operations was connected in the recent past with the international trade. Internationalization of banking following that of production caused the shifts in the very essence of the credit activity which imply the growth of financing directed towards gigantic multinational production projects. It gave powerful impetus to the process of the international concentration of capital and production in industry thus harnessing the analogous process in the banking field underlying the emergence of the international financial capital.

The economic advance of Canada and Australia confirms once again the rightness of the law of the uneven character of capitalist development. I. Lebedev in the article "Canada and Australia in the Modern World" investigates the international position of these two countries backing his speculation by abundant statistical data. This investigation gives evidence to the essential economic achievements of Canada and Australia having permitted them to enter the "big seven."

The author stresses, however, that the international position of Canada and Australia is affected to a considerable extent by the unequal partnership with their Atlantic allies, primarily with the U.S.A., United Kingdom and Japan which involves structural deformation and gaps in technology.

Canadian foreign policy reflects the strong economic integration with the U.S.A. announcing the determination to establish the unique North American economic system. This "continentalism" though opposed by the influential circles in Canada has proved to be economic reality in wide range of industries in the corporate sector.

Foreign expansion in Australia is marked by the traditional relations with Great Britain, sharp rise in the commerce with the U.S.A., growing cooperation with Japan, which declared that "Australia is Japanese Canada". The economic rapprochement of Japan and Australia may lead to the global shifts in the balance of imperialist powers and further aggravation of the imperialist competition.

In the article "The Contemporary Economic Thought in the FRG" V. Pankov emphasizes the inconformity of the existing concepts of the transformation of capitalism towards the so-called affluent society and endeavours to predict the shape and contents of what may emerge from the turmoil of the present economic scene.

The contemporary West German economic thought is primarily represented by the theory of "social market economy" assimilated by the bourgeois and social-reformist forces. Generated within the neoliberal school this theory was targetted to proclaim the "third way" between capitalism and socialism stipulating the certain expansion of social measures such as social security, for instance, to ease social tension. The latest crises involving recession and inflation assure that there are margins of the state monopoly manoeuvres thus leading to the revision of dominant economic concepts which takes the form of eclecticism comprising the elements of monetarism and institutionalism.

The author also contemplates the evolution of the theoretical statements of the Social Democratic Party of Germany which is at the head of the governmental coalition. The SDP turned up to be incapable to cope with the "Vicious square" of the economic weaknesses namely slump, unemployment, inflation, deficit of the balance of payments.

West German communists advance the alternative to the bourgeois and petty-bourgeois theories. They put forward the idea of antimonopolistic democracy opening the way to socialism thus contributing to the mobilization of vast masses in the struggle against capitalism.

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## SOVIET SUPPORT FOR DECOLONIZATION PROCESS DESCRIBED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 82 pp 19-33

[Article by G. Kim, corresponding member of the USSR Academy of Sciences: "The Soviet Union and the National Liberation Movement"]

[Excerpts] The 60th anniversary of the USSR--the world's first state to unite in a single international family of working people of many nationalities--is historical evidence of the vitality of the great Lenin's ideas on building a society free from exploitation, a society in which all nations and ethnic groups develop comprehensively on a basis of mutual trust, voluntary consent and the exclusion of all forms of inequality in relations between them. All this became possible thanks to the victory in our country of a new social system--socialism--which eliminated the social roots of bourgeois nationalism, chauvinism and national oppression. The successes achieved by the USSR in various spheres, in particular the attainment of the heights of social progress by what were once the backwaters of czarist Russia, are therefore of tremendous international significance. "Young states, and above all those which have chosen a socialist orientation," says the CPSU Central Committee resolution "On the 60th anniversary of the USSR's formation," "take a lively interest in the soviet experience of national and state building and the transition of a number of the USSR's peoples to socialism, bypassing the capitalist stage of development. The Soviet Union also makes an invaluable contribution to the anticolonial struggle of the peoples against imperialism and neocolonialism and for the consolidation of national independence and social progress.

The early eighties were marked by an event of epochal significance--the elimination of the colonial system of imperialism in its classic forms. In a relatively short time in historical terms, amounting to only three decades, the system of oppression and enslavement of peoples which had been created by capitalism over several centuries was destroyed.

More than 100 new sovereign national states rose from the ruins of the former colonial empires. The fundamental change in the political map of the world is clear from the fact that in June 1945, when the charter on the creation of the United Nations organization--that most important instrument of peace--was signed in San Francisco (United States), 50 states were founder members, as is known. Now the world community has more than 160 sovereign states belonging to the

United Nations. Most of them are countries in Asia, Africa and Latin America which have won national independence as a result of the collapse of the colonial system of imperialism.

In the light of this colossal explosion of the peoples' anticolonial struggle, an extremely important question arises: what forms the basis of the tremendous acceleration of the world revolutionary-liberation process? If the phenomena concerned are evaluated comprehensively, it must be seen that there is an organic link between the liberation struggle of the peoples of Asia, Africa and Latin America, which developed with unprecedented force in the mid-20th century (more precisely, after the military-political defeat of Hitler's Germany and militarist Japan--the shock forces of international imperialism in World War II), and the existence of the socialist system on our planet. On the one hand the national liberation movement itself gained strength to a considerable extent and adopted ideas and even concrete forms and methods of struggle under the influence of the revolutionary transformations of society in the socialist countries, on the other hand the peoples' liberation struggle relied on a day-to-day basis on increasing support and assistance from real socialism, the Soviet Union above all.

It is no accident that in our day western bourgeois ideologists are making considerable efforts to prove that there is no interaction or organic link between socialism and the national liberation movement. Moreover they assert that the liberation movement's true aims are virtually contradictory to the ideals of socialism. It is not very difficult to refute such fabrications since the whole historical experience of the revolutionary-liberation struggle convincingly "works" in favor of this alliance.

More and more people in the developing world are beginning to realize that genuine national independence is inconceivable without the implementation of profound socioeconomic transformations in the interests of the working people's masses and that the struggle to achieve such independence is linked by thousands of threads to the tasks of eliminating or substantially restricting the positions of those social classes and strata which, one way or another, formed an alliance with imperialist reaction. Understanding of the inadequacy of national liberation alone and awareness of the need to continue the anti-imperialist struggle against the internal social agents of imperialism are the leitmotiv of many modern national liberation revolutions. From this viewpoint, as the programmatic documents of the international communist movement stress, a qualitatively new stage is beginning in national liberation revolutions--the stage of the preferential resolution of social tasks. It is a question of expanding and deepening revolutionary practice in the countries of Asia, Africa and Latin America--practice which, while anti-imperialist in content, is increasingly acquiring an antiexploitation thrust.

It is quite obvious that at the stage where national liberation revolutions are increasingly becoming national democratic revolutions, questions of the unity of the forces of world socialism and the national liberation movement are particularly topical. The present-day practice of national democratic revolutions with a socialist orientation provides clear confirmation of the strengthening alliance between socialism and the national liberation movement.

At the present stage this alliance is also "manifested" in mutual relations between socialist and liberated countries. On examining this system of mutual relations one can single out certain spheres which are interconnected and complementary.

In the current period, when the tasks of socioeconomic transformations face the liberated countries to the fullest extent, their economic cooperation with socialist countries is of particularly great significance.

Thanks to assistance from the socialist states, the material and technical base has been significantly strengthened in a whole series of liberated countries, which has enabled them to speed up the development of their productive forces, expand the reproduction process on a national basis and strengthen their economic self-sufficiency. The equal, mutually advantageous nature of cooperation between socialist and developing countries which have different social systems and levels of economic development clearly demonstrates what the new international economic relations should be like and how they should be constructed. Mutually advantageous cooperation has also become an important political factor. It helps to strengthen the positions of progressive forces in liberated countries and ensures more favorable conditions for the struggle against the dominance of foreign monopolies and for accelerated development along the path of social progress.

The imperialists seek to stifle young independent states, first and foremost countries with progressive regimes. The socialist community countries see it as their international duty to prevent the export of counterrevolution, thwart imperialist plans and help those countries to defend their independence. Take Angola, for instance. "No sooner had this progressive state been born," L.I. Brezhnev has said, "than it became the target of foreign intervention--this is the handiwork of imperialism and the South African racists, who are the sworn enemies of independent Africa, and also of those who took on the unseemly role of their accomplices, that is why Angola's struggle in defense of its independence met with the support of progressive forces throughout the world, and the success of that struggle was further evidence that nobody can crush the peoples' desire for freedom."

A similar situation arose in the Horn of Africa. Spurned on and supported by the United States, the PRC and reactionary Arab regimes, Somalia perpetrated an act of aggression against revolutionary Ethiopia, as is known, the Mogadishu regime was defeated, and revolutionary Ethiopia, supported by its friends--the USSR, Cuba and other socialist community states--not only defended its independence but progressed farther along the path of deepening and extending progressive social transformations. The national democratic revolution is nearing a successful conclusion in that country.

In late 1979 a threat hung over revolutionary Afghanistan, with the United States--in conjunction with the PRC--organizing open intervention, making use of Afghan reactionaries and reactionary mercenaries from other countries of Asia and the Arab East and using Pakistan as a bridgehead for aggression. At the request of the legitimate DRA government and in accordance with the Afghan-Soviet treaty, the Soviet Union came to the assistance of revolutionary Afghanistan,

giving it economic, moral, political and eventually military support. A limited contingent of Soviet troops was sent to the country in order to help the Afghan authorities stop the infiltration of gangs of mercenaries from Pakistani territory. All this made it possible to stabilize the situation in Afghanistan and begin the successful implementation of the second stage of the April revolution.

For a long time now the USSR has been giving selfless assistance and support to the Arab peoples' just struggle to rebuff Israeli aggression, inspired by the imperialism of the United States, which has arbitrarily declared the Near and Middle East a sphere of "vital" American interests and seeks to extend and strengthen its military-strategic presence there. The latest brazen invasion of sovereign Lebanon by the Tel Aviv hawks, carried out with Washington's blessing and participation, indicates that the United States, relying on its "strategic" ally in the region, has begun to implement the next stage of its long-nurtured plans for establishing imperialist domination in the Near East. These U.S. actions increase the threat to peace and international security, the barbarous act against the Palestinian and Lebanese peoples, which is assuming the form of veritable genocide, exposes Israel's Zionist ruling circles and their "friends" across the ocean as opponents of the establishment of a just and lasting peace in the Near East and bitter enemies of the Arab peoples.

The Soviet Union adheres to a principled, firm stance on the Near East conflict. This stance, set forth in the CPSU Central Committee report to the 26th Party Congress, envisages a collective quest for an all-embracing settlement on a just, realistic basis. L.I. Brezhnev's message to the U.S. president contains a serious warning to the arrogant aggressor and to his patrons.

Under conditions of increasing attempts to exert imperialist military pressure on the developing countries, the existence of the socialist community with its readiness to grant the necessary material assistance, including military-technical assistance, to the national liberation movement acts as a stabilizing factor. That is the real state of affairs.

Yet there are many figures in the West who continue to this day to spread fabrications about the USSR's alleged "expansionist" aspirations in various parts of the globe--regions which, incidentally, have already been declared, regardless of the will and desire of the peoples living there, to be spheres of the "vital interests" of imperialist powers, the United States above all. They also accuse the Soviet Union of breaking the "rules of the game" set by the imperialists, demanding that it stop supporting the national liberation movements and leave them to face the forces of imperialism and international reaction alone.

Futile efforts: the Soviet Union will never make deals to abide by the so-called rules of the game or accept the imperialist position on the preservation of the social status quo in the world. The political changes on our planet leading to the renewal of social structures and social progress are historically ordained and therefore inevitable. Bourgeois politicians and ideologists should have realized this. "The Soviet Union fully supports young states' legitimate aspirations and their determination to rid themselves of all imperialist exploitation and to manage their national resources for themselves," L.I. Brezhnev

pointed out at the 26th CPSU Congress. "But we make no secret of our views," he stressed. "In the developing countries, as everywhere else, we are on the side of progress, democracy and national independence and we regard them as our friends and fellow strugglers."

Cooperation between the socialist and developing countries in the political and diplomatic sphere is of great importance. In the entire course of the anticolonial struggle of the peoples of Asia, Africa and Latin America you would be hard put to find a single liberated state which has not drawn strength from the beneficial influence of the Soviet Union's internationalist support for the national liberation movement. Actively exploiting a variety of political and diplomatic means, the Soviet Union has invariably given the peoples' liberation struggle comprehensive support in any corner of the globe.

The Soviet state has taken this line from the first days of its existence--from the moment of great October's triumph. It was then that V.I. Lenin, rationalizing the foreign policy of a country in which the proletariat had triumphed, advanced a proposition which was to become one of the cornerstones of its foreign policy. "Although in Russia at the present time," he wrote, "we are frequently obliged to make compromises and bide our time since we are weaker than the international imperialists, we know that the body of people whose interests we are defending represents a population of 1.25 billion (in colonial and dependent countries--G.K.)." Defending the interests of peoples oppressed by imperialism was thus proclaimed as one of the principles of the foreign policy of the land of the soviets. The celebrated decree on peace, the appeal "to all the Muslim working people of Russia and the East" and other such now-historic October documents equated the preservation of the colonial order with "annexation, that is, seizure and coercion" and contained an impassioned plea for the liberation of enslaved countries and peoples.

The Soviet state unwaveringly pursued an anti-imperialist foreign policy throughout the whole prewar period--both at international conferences in the twenties and in the League of Nations, entry into which in 1934 it made conditional upon its nonassent to those clauses in its charter touching on the national and colonial question. In particular, the USSR lodged an objection to Article 22, which gave Western powers the right to administer foreign territories under a mandate.

It was thanks to the USSR that such a fundamental principle as nations' right of self-determination was enshrined in international law in the charter of the United Nations organization founded in October 1945. Chapter 1 of the UN Charter stated that the purpose of this worldwide organization is to develop friendly relations among nations "based on respect for the principle of the equal rights and self-determination of the peoples." Of exceptionally great significance was the Soviet Union's initiative, within the framework of the United Nations, aimed at the adoption of the declaration on the immediate granting of independence to colonial countries and peoples (1960). The Soviet draft contained the following demands:

\*Lenin, V.I., "Complete Works," vol 41, p 235.

To immediately grant all colonial countries, trust territories and other non-self-governing territories complete independence and freedom to build their own national states in accordance with the freely expressed will and desire of their peoples. The colonial regime and colonial administration in all their forms must be abolished completely so as to grant the peoples of these territories the opportunity to determine their own destiny and forms of state administration;

To eliminate all strongpoints of colonialism in the form of possessions and leased regions on other people's territories;

The governments of all countries are called upon to observe strictly and unwaveringly in relations between states the provisions of the UN Charter and the present declaration concerning equality and respect for the sovereign rights and territorial integrity of all states without exception, tolerating no manifestations of colonialism and no exclusive rights or advantages for some states to the detriment of others.

The declaration was approved by the majority of UN members and played an exceedingly important part in the liquidation of the colonial system. In the years since the declaration was adopted the United Nations has repeatedly returned, on the initiative of the socialist states, to the question of progress in implementing the document.

At the moment, imperialist reaction, primarily the current U.S. Administration, is plugging the thesis of so-called international terrorism which allegedly serves as an instrument of the national liberation struggle. It was U.S. President R. Reagan who came up with the ludicrous idea that national liberation movements, wherever they occur, are the work of Moscow and are the product of "international terrorism" directed again by "the hand of Moscow."

Attempts to depict the national liberation movements as an expression of "international terrorism" smack of cynicism and sheer ignorance, for if you follow the White House's logic you have to include among the products of international terrorism all sovereign, independent national states which have freed themselves from colonial oppression--and, incidentally, the United States itself.

The Soviet Union and the other socialist countries have genuinely made a substantial contribution to establishing the national sovereignty of the liberated states of Asia, Africa and Latin America. Without this support many liberated countries would have found it simply impossible to achieve independence, let alone consolidate it. Soviet diplomatic support for liberated countries is currently manifested in the form of friendship and cooperation treaties with such states as India, Syria, the People's Democratic Republic of Yemen, Angola, Mozambique, Afghanistan and others, which is evidence of the development and enrichment of forms of cooperation between socialist and developing countries. In the event of situation arising which threaten the interests of security of one of the sides, the treaties provide for the holding of immediate consultations to work out joint measures to eliminate the situation. They are not directed against any third party and are an effective instrument in the struggle for peace and to stop imperialist aggression.

There is a tradition of the regular exchange of government, scientific, cultural and public delegations between the Soviet Union and the developing countries, including the regular exchange of top-level delegations. The USSR has been visited by the heads of state of nearly all the independent Asian and African countries.

Soviet-Indian relations deserve special attention. Since our southern neighbor achieved independence the Soviet Union and India have exchanged 14 top-level visits. Soviet-Indian friendship and cooperation have great significance for both countries and for the national liberation movement as a whole, and for the strengthening of peace in Asia and throughout the world. They are a striking example of the implementation of the principle of peaceful coexistence between states with different social systems. These relations are developing in the interests of both countries' people on the basis of equality and mutual benefit, strict observance of sovereignty and noninterference in one another's affairs, and they are not directed against third countries. "By developing, as we are doing today, relations of friendship between the Soviet Union and India," L.I. Brezhnev noted, "we are doing a good thing not only for the present generation of our peoples but also for future generations and for mankind's peaceful future." In his recent Tashkent speech the head of the CPSU and the Soviet state again rated highly the significance of Soviet-Indian cooperation in preserving peace and stability on the Asian continent and throughout the world.

For the peoples of liberated countries engaged in peaceful creative labor the peace-loving foreign policy of the USSR and the other socialist countries is of immense significance. By upholding peace the world over and advocating stronger international security in all areas of the globe the Soviet Union acts as guarantor of the stability in which the social progress of the liberated countries is possible.

The real way to solve the problems of safeguarding the peoples' security is outlined in the peace program elaborated by the 24th, 25th and 25th CPSU Congresses, which contains specific and realistic proposals and is aimed at surmounting the obstacles which stand in the way of strengthening peace and developing peaceful cooperation among the states of all continents.

The present stage of development is distinguished by a sharp deterioration of the situation for which imperialist reaction, primarily the United States, is to blame. This demands the full mobilization of all forces to combat the growing war threat, curb the arms race and eliminate seats of tension. The Soviet Union is making proposal after proposal on key problems of international life. A whole series of initiatives supplementing the peace program for the Eighties is contained in L.I. Brezhnev's speeches at the 17th Congress of USSR Trade Unions, in Tashkent 24 March 1982 and at the 19th Komsomol Congress. Of historic significance is the appeal by the Soviet head of state to the "UN General Assembly's Second Special Session" which says that "the USSR pledges not to be the first to use nuclear weapons." Does one need convincing of the favorable influence this step by the Soviet state, prompted by a sincere desire to avert a thermonuclear war and to exclude from the life of mankind the very possibility of such a war, would have on the international political climate if the Western powers were to take a similar step. Life demands concerted efforts

by all states to solve the peaceful constructive tasks facing all peoples and the whole of mankind.

The alliance between world socialism and the national liberation movement is strengthening in the struggle for peace and international security and social progress. Broadly speaking, it is a matter of creating the kind of conditions and the kind of climate of international relations which will further narrow the sphere of imperialist dominion in the world and thereby create more favorable conditions for the development of the world revolutionary movement whose origins lie in the Great October Socialist Revolution and the birth of the USSR. The CPSU Central Committee resolution "On the 60th Anniversary of the Formation of the USSR" stressed: "The formation and successful development of the USSR is of unfading international significance and is a historic landmark in advanced mankind's struggle for the peoples' equality and friendship and for the revolutionary renewal of the world."

One recalls the remarkable words spoken by V.I. Lenin back in June 1917: "The proletariat's foreign policy lies in an alliance with the revolutionaries of advanced countries and with all oppressed peoples against all imperialists."\* The Soviet land and our party have always been loyal to Lenin's course. Loyalty to these behests is the guarantee of new successes in progressive mankind's struggle for peace and the social progress of the peoples.

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\* V.I. Lenin, "Complete Works," vol 32, p 337.

## U.S. REFUSAL TO SIGN LAW OF SEA CONVENTION CRITICIZED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYE OTNOSHENIYA in Russian No 9, Sep 82 pp 34-45

[Article by L. Lyubimov and I. Gorev: "The Oceans: New Legal Order in the Interests of Peace and Cooperation"]

[Text] Negotiations which had lasted 15 years altogether were concluded and an all-encompassing Law of the Sea Convention was adopted at the final, 11th, working session of the UN Law of the Sea Conference held in New York. The need for such an international document had been brought about by the urgent requirements of man's development. The oceans, which occupy two-thirds of the planet's surface, are becoming an increasingly significant component of the world economy, an important--particularly in the future--source of protein and mineral resources, an arena of global communications and a vital sphere of preservation of the planetary ecological balance.

In recent decades the vast ocean expanses and resources have been the subject of claims and seizure on the part of imperialist and expansionist circles. The United States was the first to begin the race for a partition of the oceans: back in the 1940's it announced the appropriation of vast expanses of the continental shelf. Its acts in the 1970's and at the start of the 1980's (proclamation of a 200-mile fishing zone and the enactment of legislation on the activity of American private companies in the international part of the sea bed beyond the continental shelf) and also the policy of Reagan's diplomacy aimed at dragging out and frustrating negotiations at the conference--all this testified to selfish attempts to complicate a mutually acceptable settlement and safeguard the privileged interests of its own big companies.

The struggle for possession of ocean resources acquired truly threatening proportions when a whole number of littoral developed capitalist and developing countries began to adopt unilateral acts arbitrarily extending their sovereignty and jurisdiction over vast areas of the open seas, acts undermining world navigation and fishing.

Putting an end to the imperialist and extremist trends, preventing a partition of the oceans and ensuring their long-term and rational use to the good of all countries and peoples--this was the essence and goal of the lengthy process of negotiations at the conference.

# I

In 1968 the UN General Assembly adopted a decision on the creation of a special committee on the peaceful use of the sea bed and ocean floor beyond national jurisdiction. The urgent need for the solution of other questions of the law of the sea also led to this body's conversion into the Permanent Committee for Preparing the Third UN Law of the Sea Conference. The latter was convened in 1973, and 11 sessions have been held since then. The main result of its work has been the official draft Law of the Sea Convention.

It may be said without exaggeration that the conference has no parallels in the history of diplomacy and the practice of the settlement of global problems. Its universal nature is confirmed by the participation therein of 156 delegations. The diversity of aspirations in connection with the development of the oceans was reflected in the creation at the conference of numerous "interest groups," which were made up of states of different social systems with tremendous differences in characteristics of economic development, geographical location, political orientation, historical traditions and so forth.

Thus the "group of littoral countries" (approximately 80) strove for an extension of their rights to the resources of the sea in coastal bodies of water frequently to the detriment of other states. The "group of territorialists" (over 20 countries) insisted on the extension of the littoral states' sovereignty to vast areas of the sea beyond the generally recognized 12-mile limits of territorial waters. On the other hand, the group of states lacking an outlet to the sea or in a geographically unfavorable position (called because of the number of countries constituting it the "group of 56") expressed interest in reducing the sphere and scale of national jurisdiction (resource jurisdiction or jurisdiction of another nature) in the oceans to a minimum. The "group of countries with a broad shelf" (over 30) proposed determination of the outer boundaries of the "legal shelf" at as great a distance from the shore as possible, employing vague criteria of the definition of such boundaries. The countries adjoining straits raised the question of a tightening of control over navigation in the straits, which, naturally, could not have failed to have elicited the sharply negative reaction of many states interested in maintaining and developing various types of navigation. Nickel, manganese, cobalt and copper exporters advocated the imposition of future restrictions on the production of such metals from the resources of the deep-sea areas of the sea bed. The states which had made intensive preparations for the development of these resources objected vigorously to such regulation. We could continue the list of groups of states united on this basis or the other with respect to some specific question of the use of the ocean expanses and resources.

Three broader groupings reflecting the political picture of the modern world--the socialist countries, the developed capitalist states and the Group of 77 developing countries--revealed themselves at the conference at the same time. Finally, there was a demarcation according to the regional principle also. The activity of such groups refracted both the general and specific interests of the participants, which was the reason for the extraordinary complexity of

coordinating their positions. Besides, a huge list of questions awaiting settlement figured on the conference agenda. This was naturally reflected in the pace and fruitfulness of the forum's work. The conference had set itself a unique task: drawing up an all-encompassing law of the sea convention covering all the acute problems of the oceans.

No international forum had in the past been confronted with tasks of such a global scale. They demanded for their solution new organizational approaches. The efforts made by the Permanent Committee on the Sea Bed for the purpose of preparing if only a rough draft of a convention were not, as is known, successful, owing to the profound contradictions between numerous groups of countries. In this connection the conference began the sessions lacking an agreed draft.

A new feature of its work was the separation from the multitude of problems confronting the participants of a so-called "package," that is, a number, of the most important questions whose solution in their mutual connection, compositely, was contemplated. The "package" principle not only predetermined the procedural singularities of the conference but influenced the shaping of the future compromise inasmuch as the latter could emerge only as a mutually acceptable balance of the concessions and gains of all states and groups of countries on all the key issues as a whole.

Extraordinary importance was attached to the so-called "gentlemen's agreement"--the arrangement concerning the procedure of the adoption of the convention. It was envisaged that the conference would turn to a vote (two-thirds majority) after all efforts to settle this problem or the other on the basis of common consent, that is, the consensus principle, had been exhausted. The latter aimed at the path of negotiations and gradual agreement and not attempts to impose unilateral approaches. Of course, the binding nature of the negotiations caused their duration and cyclical character, the return to datum points and the slow progress in the results. Nonetheless, looking back, it may confidently be said that procedural "haste" as an alternative to such a process would not have led to any positive results at all. The universality demand made of this conference ruled out any methods which were contrary to the principle of concordance of the interests of numerous groups of states.

The conference set up three main committees: the first examined questions of the international part of the sea bed, the third questions of marine scientific research and protection of the marine environment against pollution and the second all the others. The plenary forum of the conference undertook a discussion of the methods of the settlement of disputes in connection with the application and interpretation of the convention which had been worked up.

The basic form of work were unofficial negotiations making it possible to avoid unnecessary friction and conflict. In addition to the principal bodies of the conference (the Plenum, General Committee and three main committees) so-called "unofficial" groups consisting only of the states concerned and also special groups which concentrated their efforts on one or several of the most difficult questions were formed. Seven unofficial groups which concentrated attention on a narrow circle of problems which had remained open functioned at the seventh session in 1978, for example. As a result the two subsequent

sessions were successful: the "unofficial" (working) draft convention, which won general support, was finally adopted in 1980.

This draft was the result of many years of negotiations and the gradual rapprochement and concordance of the positions of more than 150 states. It cannot, of course, be claimed that the said document was completely satisfactory to any of them or any group of countries with specific interests in the oceans. It is understandable that in its very meaning compromise signifies mutual concessions, in the course of which less essential interests may be subordinated to more important ones. Nonetheless, the conferees expressed the unanimous opinion that the "unofficial draft" convention would safeguard the main interests of all the main groups of states.

## II

The program of work of the conference's 10th session, which was approved on 28 August 1980, provided for the adoption of the convention in the course of 1981. However, from the very start of the session the U.S. delegation, following the policy of the R. Reagan administration, renounced the compromise arrangements which had been reached earlier with the United States' participation, proposing the indefinite postponement of the conference. Without revealing the essence of its objections to the unofficial draft Law of the Sea Convention, Washington referred to the "study of the question," which it was making, of whether it altogether had a need for this convention in its present form.

Continuing the obstructionist line in the Geneva part of the 10th session, the U.S. representatives demanded no more nor less than a fundamental break with the draft convention's provisions, which had been agreed earlier, concerning exploitation of the resources of the sea bed (nickel, manganese, cobalt, copper and others) and a halt to the conference's work prior to their completion of a study of the problem. J. Malone, head of the American delegation, declared in his speeches that the prepared draft convention is unacceptable to the United States inasmuch as it fails to correspond to the principles of free enterprise, does not provide for the unhindered access of the United States and its private companies to the bed's resources and does not guarantee the United States a decisive role in the International Sea Bed Authority which is being set up. Washington rejected important compromise formulas and arrangements concerning the composition of the international authority's executive council and the decision-making mechanism and the goals and principles of its policy, a parallel system of the development of the bed's resources by the international authority in conjunction with states (their corporations), the conditions of private companies' access thereto, concerning international enterprise and so forth. Essentially the United States strove for a cardinal revision to the benefit of its monopolies of the entire part XI of the convention, which is devoted to the sea bed.

The overwhelming majority of the conferees, on the other hand, supported the compromise provisions of the draft that had been prepared earlier and rejected the U.S. demands for a resumption of negotiations for a revision of part XI. The Soviet delegation emphasized that such a revision would destroy the entire "package" of compromise arrangements on which the draft convention

is based inasmuch as part XI is an inalienable component of this "package". The statements disseminated by the Group of 77 developing countries observed that the United States' claims are unilateral and unacceptable and that no one government can foist its opinion on the international conference and that the existing draft convention affords sound prospects for the establishment of a just international order on the seas. In the course of the Geneva part of the 10th session the Group of 77 declined to conduct negotiations to revise the convention, as demanded by the United States.

Washington and the other major Western powers which supported it did not succeed in preventing the 10th session's adoption of an important decision on imparting to the provisions of the unofficial text the status of official draft of the Law of the Sea Convention, which to a considerable extent enshrined the compromise arrangements and the provisions of the draft which had already been agreed determining the regime of all ocean areas and states' activity in developing them.

Displaying unprecedented diplomatic patience and forbearance, the conferees waited for a whole year for the "revision" of the American position on the draft convention begun by the K. Reagan administration. True, in this time the conference succeeded in, first, finding a solution to the extraordinarily complex problem of the settlement of disputes over delimitation, that is, the demarcation of the sea expanses, and, second, "officializing" the draft convention. Only by the start of the 11th session did the United States present the conferees with the results of its "revision".

The American representatives began by expressing "general ideas" at presession consultations in connection with just one element of the "package"--the conditions of the development of the mineral resources of the international part of the sea bed (part XI of the draft convention). This indicated that the U.S. Administration regarded the remaining sections of the "package" as acceptable. The participants in the consultations gave the demarche of Washington's diplomacy a negative reception, having every reason to believe that at the stage of the final session, when an official text of the convention is already to hand, putting forward "general idea" would appear inopportune and simply absurd inasmuch as they canceled out all the arrangements on the regime of the international part of the sea bed which had been arrived at earlier with such difficulty.

The reaction of the overwhelming majority of the participants in the presession consultations was not taken into consideration in Washington, and at the 11th session the U.S. delegation presented its new position in the form of specific amendments, which profoundly affected the interests of both the developing and (on a number of issues) the socialist countries. The American amendments were in volume comparable with the entire part XI, in which connection the U.S. proposals came to be called the "book of amendments" or "green book" (from the color of the cover).\* As before, it was a question here of a complete restructuring of part XI in favor of the interests of the

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\* See UN Document WG. 21/Informal Paper 18.

United States and its partners in a future "mini-treaty"\*( a separate treaty with the participation of the United States and a number of other Western countries which had been prepared for the contingency of the possible failure of the Law of the Sea Conference or a boycott thereof).

On the important question of the decision-making mechanism in the council of the future international Sea Bed Authority the "green book" was aimed against the interests of the USSR and other socialist countries: the United States attempted to deprive this group of states of any role in the council, simultaneously demanding sole rights for itself and certain Western countries. Naturally, the USSR and the other socialist states could in no way have consented to such an approach. On the other hand, the "green book" also ignored the fundamental interests of the developing countries touched on by part XI of the draft convention. Therefore the Group of 77 also rejected the American proposals, refusing essentially to even examine them. Thus the demarche of the United States was rebuffed by the overwhelming majority of the delegations.

The destructive line of the United States led to the logical result--the American delegation was essentially isolated at the session. The conference embarked on the solution of the three remaining unsettled issues, disregarding the American demands. The first of them was the elaboration of a resolution on a Preparatory Commission, whose formation was expected following the signing of the convention for implementing measures for the creation of the International Sea Bed Authority. In the course of the session this resolution was agreed on a mutually acceptable basis, but the question of the decision-making mechanism in the commission, which had given rise to sharp disagreements, was left to the discretion of the Preparatory Commission itself. The commission is to be guided in its activity here by the above-mentioned "gentlemen's agreement," which would make it possible to draw up a reasonable formula on voting on essential questions with regard for the provisions of the convention and correspond to the interests of strengthening international cooperation in the development of the resources of the sea bed and the creation of the international authority.

Another unsettled question which the conference dealt with and which had been raised by the United States and a number of Western countries was the provision concerning the protection of preliminary capital investments in exploring the resources of the international part of the sea bed. As is known, a number of national state enterprises and private companies of various countries and international consortia have already invested major sums in the quest for the said resources and the development of the technology of recovering and processing them. In this connection the Western powers insisted on "protection of the capital investments they have made," that is, on additional guarantees that the areas with deposits of resources discovered and developed by their companies be reserved for them.

Guarantees of preliminary capital investments are granted in world mining industry and are reflected in many national laws. As far as the area of the sea bed is concerned, a certain difficulty arises here. After all, this "protection" is being realized prior to the validation of the convention and, consequently, the conditions of the development of this area and the creation

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\* See MEMO No 3, 1983, p 41.

of the International Sea Bed Authority. We have a gap between the period when the initial capital investments were made and the treaty taking effect, which will take a certain time inasmuch as it takes ratification of the convention by 60 states. Whence arose the idea for the elaboration of a special resolution which would grant on the basis of the convention's conditions certain provisional rights to the initial investors on condition that they observe the provisions of the convention.

It should be noted that the United States and certain other Western countries were striving to obtain for their corporations the rights not only to exploration but also development of the resources. Washington endeavored to substitute a resolution on protection of preliminary capital investments for the provisions of part XI of the convention and create privileged terms for private companies of the United States and Western countries. Naturally, such intentions were emphatically rebuffed by the overwhelming majority of conferees. With the support of some other delegations the United States attempted to include in this resolution a number of the provisions which were developed for the "mini-treaty". However, this maneuver was rejected also. The adopted compromise was based on the provisions of the convention.

As a result the conference approved a resolution granting initial investor rights to national enterprises and companies of the USSR, India, France and Japan, four international consortia incorporating companies of the United States, the FRG, France, Japan, Italy, Belgium, the Netherlands and Canada and also to the developing countries which might be in a position to complete exploratory work prior to the start of 1985. The resolution takes into consideration the elements of the convention's conditions agreed in part XI of the convention pertaining to it.

However, a provision of the resolution gave rise to serious objections on the part of the USSR and other socialist countries. It is a question of the conditions of obtaining initial investor status. For enterprises and companies of the USSR, India, Japan and France and also for the developing countries to obtain such status it is necessary for these states to have signed the convention without exception. Whereas, on the other hand, this status may be obtained by any international consortium, if just one of the states whose companies are a part of the consortium has signed the convention. This would enable the United States, for example, to avoid signing the convention.

At the same time at the insistence of the socialist countries a provision was included in the convention to the effect that a consortium will not win a contract from the international authority (that is, will be deprived of access to the resources) if all the states whose companies are a part of it do not ratify the convention. This clause is of extraordinary importance insofar as states assume the obligations of the convention not after the signing but after the ratification of the convention.

It is envisaged that the convention will come into force 12 months after its ratification by 60 states.

Hitherto unsolved questions concerning participation in the convention of intergovernmental organizations and national liberation movements were also

removed in the course of the 11th session. All states are accorded full rights of participation in the convention. The same rights were obtained by Namibia, represented by the UN Council on Namibia. Furthermore, self-governing associated states and territories with internal self-administration may, with regard for their status, be a party to the convention. Limited right to be a party to the convention has also been granted international intergovernmental organizations which the participating states have invested with the appropriate competence.\*

The socialist countries and the Group of 77 supported the proposals concerning participation in the convention of national liberation movements like the PLO. The United States and its Western allies were opposed. As a result of negotiations a compromise was reached in accordance with which national liberation movements may sign the conference's final act as observers.\*\*

The settlement of these questions closed the loopholes which could have permitted them to be used as a pretext for further prolonging the conference's work. The U.S. delegation was thus deprived of a formal pretext for prolonging the negotiations indefinitely. Completion of the conference's work at the start of April 1982 showed that the majority of its participants reject the U.S. diktat and that if the U.S. Administration does not support the convention, it will be adopted even without the United States. The conference was thus essentially an important international forum at which the unconcealed imperial ambitions of the Reagan administration and his policy of frustrating mutually acceptable arrangements were firmly rebuffed by the world community.

### III

The many years of the conference's work are now history--history of intensive struggle and the gradual erasure of the acute contradictions between states by means of a carefully balanced "package" of compromise solutions of the whole set of questions of law of the sea. The provisions of the future convention were specified and concretized from session to session.

The Soviet Union and the other fraternal socialist states played an important constructive part in the elaboration and adoption of a mutually acceptable convention, by no means striving for unilateral benefits and advantages here. The socialist countries' proposals on the most complex and central issues (territorial waters, economic zone, international straits, the International Sea Bed Authority and others) took account of the interests of all states and formed the basis of the compromise solutions enshrined in the convention. The responsible and patient course of Soviet diplomacy served as a factor of considerable importance of the rapprochement of the positions of different states and the surmounting of unilateral tendencies.

The speech of the leader of the Soviet delegation at the conference's plenary session on 30 April 1982 observed: "The USSR delegation proceeded in the

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\* UN Document, A/Conf. 62/L 93 Annex 1, pp 1-4.

\*\* UN Document, A/Conf. 62/L 132/Add. 1, p 2.

negotiations, which required considerable effort, from the expediency of the establishment by way of the adoption of a law of the sea convention of a regime for the seas and oceans which would contribute to the development of international cooperation and promote the use of the sea expanses and their resources in the interests of all states and with special regard for the interests of the developing countries." Concerning the draft convention worked out in the course of the negotiations, the Soviet representative declared: "This draft convention was not fully to the liking of everyone, but it was the compromise which was acceptable to all delegations since as a whole it took account of the interests of all states. The basis of all these provisions were the principles of states' sovereign equality.... It may with complete justification be claimed that the conference has succeeded in formulating a sound mutually acceptable law of the sea convention."

The U.S. delegation, however, voted against the convention. Speaking on the reasons for its vote, its head, J. Malone, declared on 30 April 1982: "Despite the fact that the rest of the treaty's provisions are acceptable as a whole, I can only conclude the following: the treaty here for our examination does not correspond fully to a single goal of the United States as far as the conditions of the development of the resources of the sea bed are concerned." Specifically, the U.S. objections amounted to the following: these provisions would curb capital investments and serve as a "barrier" to the development of the resources of the sea bed; they do not ensure qualified future developers (private companies) guaranteed access to the resources of the sea bed; the decision-making mechanism in the future international authority does not ensure for the Western developer-countries "effective protection" and amendments concerning the development system could take effect without U.S. consent; and other "serious problems" are created for them by the provisions governing the transfer of technology, the annual production limit and the national liberation movements.

The American reasoning does not take account of the factor of the corresponding provisions of the convention being of a compromise nature and of having been worked out as a result of lengthy negotiations among the three principal groups of states--the Group of 77 developing countries, the socialist countries and the Western states. The United States participated actively in these negotiations and frequently initiated precisely the compromises in the First Committee on questions of the sea bed which it began to oppose with the R. Reagan administration's assumption of office. The compromise provisions of the convention on questions of the sea bed are based on a balanced consideration of the interests of all states, including the United States, and do not afford anyone any benefits and privileges. It is this fact which evidently does not now suit those who are predisposed toward putting forward exorbitant demands for the purpose of achieving unilateral benefits.

The American "arguments" do not withstand serious criticism. First, the convention provides for the prudent and regulated development of the resources of the sea bed and averts their arbitrary seizure and chaotic exploitation to the detriment of the economy and interests of all groups of states. Second, enshrined in the convention is states' and their companies' guaranteed access to the exploration and development of the bed's resources on the basis of principles and provisions stipulated therein, including prevention of monopolization of the bed's resources. Third, the decision-making mechanism

in the council of the international authority (the formulas concerning consensus and two-thirds majority) enable the United States and other major Western powers to protect their interests on a par with the other groups of states. Fourth, the amendments to the development system in accordance with the convention take effect following their ratification by three-fourths of the states. This is a reasonable compromise with the Group of 77. As is known, the American demand for the ratification of such amendments by each country was rejected by the developing states as permitting one country to veto any constructive changes to the system of exploitation of the resources after the expiration of 25 years. Fifth, the convention's provisions governing a production limit, technology transfer and other questions cannot create "serious problems" for the United States for they are--we again repeat--a reasonable compromise taking account of the interests of the United States also. Adopting the U.S. demands would engender real problems for the developing countries which are engaged in the exploitation of the corresponding metals on land. As a whole, the United States and other Western powers have every opportunity to play an important part on an equal footing with the developing and socialist countries in the creation and the activity of the International Sea Bed Authority.

In addition, it is useful to recall in this connection that the conference agreed to significant concessions to the United States and its Western allies, consenting to take account of their wishes concerning the protection of preliminary capital investments in the exploration of the resources of the sea bed. As already mentioned, the resolution adopted by the conference on this question also contains together with substantiated provisions corresponding to the convention some appreciable shortcomings, to which the Soviet delegation pointed. In particular, in accordance with the resolution, the four international consortia which have emerged on the basis of American companies acquire the rights of "initial investors" and may explore the bed's resources even if the United States does not sign the convention.

The United States should be clearly aware that in accordance with the conference decision, its companies and international consortia will be able to conclude contracts with the international authority and obtain the right to develop areas of the bed only after the United States and the other Western powers have ratified the convention. This is something for American business and political circles to think about when they come once again to consider the U.S. attitude toward the convention.

#### IV

The compromise provisions of the convention\* concerning the sea bed are only a component of the adopted convention, whose significance they far from exhaust. The important role of the convention consists of the fact that it creates new legal conditions for all parts of the oceans and states' activity in the use thereof.

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\* For text of the convention see UN Document A/CONF. 62/L 78 and the changes in Document A/CONF 62/L 93; A/CONF 62/L 93 Corr. 1; A/CONF. 62/L 94; A/CONF. 62/L. 132/Add. 1; A/CONF. 62/L. 141/Add. 1.

What are the main positive aspects of the adopted convention?

For the first time in international law it enshrines a 12-mile limit of the width of territorial waters. While protecting the sovereignty and interests of the littoral state in its territorial waters the provisions of the convention at the same time serve the interests of world navigation also.

Conditions of the free, unhindered passage of all ships and the flight of aircraft are established in international straits and the waters of archipelago states (this is an example of a new international law institution). These rules are combined with comprehensive provisions ensuring the security and interests of the littoral states.

The convention also enshrines such an important new international law institution as the 200-mile economic zone. In defining the conditions of the zone it invests the littoral states with sovereign rights to its vital and mineral resources. These rights are supplemented by provisions governing freedom of navigation, the regulation of fishing and others, which protect the interests of the entire international community.

For the first time the convention fixes the outer boundary of the continental shelf (its limit extends to a distance of 350 nautical miles from the coastline or 100 miles from the 2,500-meter isobath) and determines the conditions of its use (the working of oil and gas deposits).

The convention enshrines and develops important freedoms of the open sea and determines the procedure of marine scientific research in different parts of the oceans and also resolves important questions of the struggle against pollution of the marine environment. Among other of its provisions we should distinguish the special part devoted to the rights of states lacking an outlet to the sea and also the articles concerning the settlement of disputes. These articles provide for the first time for the creation of a smooth-running and flexible system of the obligatory settlement of disputes which arise over the application and interpretation of the convention's provisions.

A legitimate question arises: are some states or groups of states not interested in the achievement of such a settlement? Could such a settlement in any way infringe the interests of any sea power, the United States, say?

There is no doubt about the answer. The convention corresponds to the long-term national interests of all sea powers, including the United States, all developing littoral states and states lacking an outlet to the sea or in some geographically unfavorable location and states belonging to different socioeconomic systems. It gives much to each group of states, at the same time ensuring the development of navigation, protection of fishing, the use of the bed's resources and other important forms of maritime activity in the interests of all mankind.

The uniform legal conditions of the use of the ocean resources and expanses created by the convention are of tremendous significance for regulating world economic relations. The convention provides for the reliable functioning of the mechanisms of the present-day maritime economy. Uniform conditions and the stability of the basic systems of regulation reduce the risk when making investment decisions. This is an extraordinarily important factor for the

effective development of all maritime activity, particularly when it is considered that in preceding decades regulation developed chaotically, as a process of the accumulation of a multitude of national, regional and other standards and rules, which sometimes not only did not coincide but were mutually contradictory. It should be said that in recent years owing to the actions of a number of imperialist countries there has been a strengthening precisely of the trend toward the adoption of unilateral regulatory measures infringing interests and discriminating against many countries.

The growing unevenness of the location of production forces in the oceans and the load on their raw material potential increasingly insistently demanded the creation of a mechanism regulating their economic development. This contradiction can only be removed by way of the introduction of uniform legal conditions of the use of the oceans' economic potential as a universal subject of labor and the creation of standardization basis for the overwhelming majority of national laws and regional and international agreements of a narrow nature. Such is a mandatory prerequisite of the effective and prudent development of the world maritime economy in the interests of the present and future generations.

As the preceding 30-year period has shown, the process of development of the oceans has frequently led to conflict situations. The absence of all-encompassing international law regulation was a most important reason for the emergence of such collisions. However, as this contentious question or the other was brought into concordance in the course of the conference's work, the situation began to change. In this respect even prior to its completion the conference played a very positive part in the strengthening of international cooperation on the seas. The new institutions of international law of the sea such as the 200-mile exclusive economic zone, archipelago waters, outer boundaries of the continental shelf and territorial waters and so forth which were agreed and consolidated at the conference contributed to stabilizing the situation to a large extent.

The appearance in the oceans of "legal expanses," unilateral acts and claims, the "complex picture of the boundaries" of national jurisdiction and the rapid development of marine technology and the maritime economy objectively prepared the soil for contentious and even crisis situations between different states. Being a comprehensive political-legal document, the adopted convention envisages not only standardized conditions of the use of the oceans but also various obligatory procedures of the peaceful solution of disputes connected with this complex and increasingly intensive process. The existence and application of such procedures are capable of exerting a positive influence on the progress of world navigation, fishing and other forms of economic activity.

The uniform conditions provide a precise determination and delimitation of the rights and duties of various subjects of maritime use. This in itself should restrain those who in the past paid little heed to the rights of others. Their violation after the convention has come into force will be assessed as infringement of international law standards and principles. This also applies to possible attempts to adopt unilateral measures in the selfish interests

of individual states or groups of countries. Such actions, particularly for the purpose of imposing "creeping jurisdiction" in the vast maritime expanses, were taken in the past to effect the political and economic partition of the oceans. The convention is designed to put a stop to and prevent this process.

The new legal conditions of the oceans take account of the growing role both of national jurisdiction and international cooperation in respect of the use of marine resources. In accordance with the conditions of the continental shelf and the 200-mile economic zones, the rights to their resources belong to the corresponding littoral states. However, these rights are not identical to those which a state has in respect of the resources of its land territory. The content of the littoral states' resource rights is determined by the convention and not by the states themselves. With respect to biological resources the convention proceeds from the concept of permissible catches, which obliges the littoral state to, first, determine the volume of this catch, second, provide information on its use and, third, make the balance of the permissible catch available to other countries. The permissible catch concept thus contains the element of a certain confiscation from the customarily understood rights of the littoral states and brings the littoral state's rights to biological resources into line with international law. On the other hand, this indicates that international cooperation in the use of marine biological resources is not simply an expression of the littoral states' good will but is brought about by the international law regime.

The convention also provides for a certain confiscation from the littoral state's rights in respect of the resources of the shelf. This confiscation concerns the resources of the part of the shelf which in a number of areas is located beyond the limits of the 200-mile economic zone. Development of the said resources will be accompanied by the obligatory deduction of part of the proceeds into a fund of the International Sea Bed Authority with subsequent distribution among the states which are party to the convention. As in the case of the biological resources of the 200-mile zones, it is a question of rights to resources which are accorded on the basis of the international law regime enshrined in the convention.

The signing and, subsequently, ratification and validation of the convention will confront the subscriber states with the urgent question of the adoption and, if necessary, revision of their national maritime legislation to bring it into line with the new conditions of the convention.

Important stages on the path of the inception of the new ocean legal conditions are the signing of the convention at the final session of the conference (scheduled for December 1982 in Caracas) and its subsequent ratification. We emphasize again that the convention is a mutually acceptable package of arrangements. All states, including the United States, are called on to assume together with the broad rights enshrined in the convention the high treaty commitments to strengthen the regime of peace and cooperation on the seas and exercise their maritime activity strictly in accordance with the provisions of this document.

All states--developing and developed, big and small--have an interest in the speediest signing of the convention and its ratification. This is

understandable: it creates uniform all-encompassing international law conditions for all parts of the oceans and all the basic spheres of states' activity in the use of the maritime expanses and resources.

However, the U.S. Administration has virtually rejected the Law of the Sea Convention. A statement by President R. Reagan at the start of July this year said, *inter alia*, that "the section of the convention devoted to the deep-sea recovery of minerals from the sea bed and ocean floor does not correspond to the goals of the United States" and that for this reason the latter "will not sign the convention in the form in which it was approved by the conference." As before, Washington opposed the provisions concerning access to resources, the decision-making mechanism, the validation of amendments, technology transfer and certain others.

Worldwide reaction to this statement from the White House was not difficult to predict.

The London TIMES wrote in this connection that the decision of the United States not to sign the international Law of the Sea Convention is "ill-considered, short-sighted and very disappointing." According to the newspaper, it signifies "a victory for the interests of a powerful lobby of the American companies exploiting the marine depths."

The developing countries perceived Washington's refusal to sign the convention as a hostile act and an attempt to speak in the international arena in the language of diktat. The U.S. Administration, which participated in the discussions right up until the final agreeing of the text of the Law of the Sea Treaty, the TIMES OF INDIA observed, is now refusing to sign this document. America's abrupt change of course is contrary to the spirit of compromise and commonsense. U.S. policy, the Indian newspaper concluded, not only is not fair but is not realistic. Ultimately it cannot fail to turn against the interests of the United States itself. The developing countries criticized the clearly revealed reluctance of the United States to share with them the technology of the marine recovery of minerals and the profits therefrom.

The Soviet Union, like the other fraternal socialist countries also, supports the convention, believing it to be an important balanced international document providing for the use of the ocean expanses and resources on an equal, just and long-term basis with regard for the interests of all countries and peoples, particularly the developing states. Proceeding from its high-minded position and confirming the arrangements arrived at at the conference, the Soviet Government resolved to be among the first to sign the convention.

The Law of the Sea Convention creates a new legal order on the oceans. It may be assumed that its influence will also be reflected in other spheres of international relations, setting an example of the strengthening of treaty principles and the finding of a common denominator of the manifold interests of the most diverse states. The United States' attempts to complicate the situation surrounding the signing of the convention will inevitably and unavoidably fail: the overwhelming majority of countries--and the Soviet Union is in their front ranks--will append their signatures to this historic international document.

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## CONFLICTS WITHIN OECD, 'BIG SEVEN' SUMMITS DISCUSSED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 9, Sep 82 pp 46-58

[Article by G. Prokhorova: "Quest for a Common Strategy and Inter-Imperialist Conflicts"]

[Text] The objective processes of social development are forcing imperialism to direct its efforts toward the elaboration of a concerted international policy, collective actions and multilateral cooperation in the interests of strengthening its positions in the international arena.

Under current conditions this trend is strengthening under the impact of such factors as the change in the correlation of forces in the world arena in favor of socialism and democracy, the buildup of the national liberation movement and the struggle for the reorganization of international economic relations, the intensification of the entire set of economic and social conflicts of capitalist society and the need for concerted actions for an escape from the crisis upheavals in the economy of capitalism, which are the most profound of the entire postwar period. For the purpose of achieving unity and the coordination of actions in the political and economic spheres necessary for this the leading capitalist countries are employing all the possibilities of state-monopoly regulation both on the national and interstate levels, within the framework of specially created international institutions included.

The aspiration to the creation of a system of coordination of economic policy and the formulation of a common strategy of imperialism has been manifested most graphically in the activity of the OECD and the summits of the "big seven"\*\*--the leading capitalist countries--which have been regular since 1975.

### The Quest for New Forms

The OECD, which was created in 1967, is the principal international institution designed to coordinate and elaborate a uniform economic policy of capitalism. Its 24 members include West European states, the United States, Canada, Japan, Australia and New Zealand.\*\*

\* Besides the OECD and the meetings of the "seven," coordination of economic policy is also undertaken by such international organizations as the EEC, GATT, UNCTAD, the IBRD, IMF and others. This article examines the OECD and the "seven" from the viewpoint of their role in coordinating the policy merely of the main capitalist countries.

\*\* For more detail see MEMO No 3, 1980, pp 69-77.

The annual sessions of the OECD Council discuss such pertinent issues as the state and development prospects of the capitalist economy, ways to solve the energy problem, the regulation of international trade, combating inflation and stabilizing the currency-credit system and relations of the industrially developed capitalist countries with the developing world and the socialist states.

As a rule, the OECD Council sessions present quite specific proposals aimed at the solution of the questions on the agenda. However, in view of its recommendation nature and primarily the existence of acute conflicts between the participants, they rarely lead to the concerted actions of the organization's members and, even less, to the formulation of a common foreign economic policy.

By virtue of the appreciable changes which had occurred in the world arena, in the 1970's the OECD was faced with new, more acute and difficult problems of the coordination of economic policy. The socialist community, having become a decisive factor of world development, strengthened its positions considerably. East-West trade-economic and scientific-technical cooperation began to develop rapidly under the conditions of the relaxation of international tension. The impact of the scientific-technical revolution on all spheres of economic and social life increased. Together with the exacerbation of the existing conflicts there was an increase in economic interdependence between the developing and industrially developed capitalist countries. The emergent states' struggle for the establishment of a new international economic order was stepped up. The world capitalist economy entered a phase of prolonged and profound overproduction crisis accompanied by energy, raw material, food and currency-finance crises and a sharp spurt in the rate of inflation and mass unemployment.

The alignment of forces within the OECD also underwent considerable changes. The United States lost to a considerable extent the role of undisputed leader in the economy of capitalism, to which the sharp decline in its share of world industrial production and world trade eloquently testifies. At the same time, on the other hand, the strengthening of the economic and political positions of the West European countries and Japan prompted a revision of their mutual relations with the United States. The conclusive formation of the three "power centers" of imperialism led to the embittered "internecine struggle" of the organization's members for sales markets and sources of raw material and an increase in their influence and the possibility of shifting the burden of crisis upheavals onto the partners.

As a whole, the OECD came to represent a cluster of contradictions encompassing simultaneously the mutual relations of the three "power centers"--the United States, the EEC and Japan--and disagreements among the Common Market members, between the EEC and the West European countries which are not a part of it and, finally, between the leading and small states which are a part of this organization.

Under conditions where the problems which had arisen in the capitalist world had assumed a global nature and the coordination of action on a bilateral basis between individual countries and within the framework of existing

international institutions proved ineffective, the question of the possibility of the elaboration and implementation of a common economic strategy came to acquire increasingly great seriousness and urgency. The broad composition of the OECD proved, by virtue of the increased conflicts between the participants, to be a kind of serious obstacle to the elaboration of a concerted policy, primarily of the leading capitalist countries. As far as the other international organizations are concerned, they deal with a list of special issues--foreign trade, financial, credit and a number of others\*--purely limited to each of them. Yet life demanded increasingly insistently a comprehensive approach to the quest for ways out of the crisis situations, an easing of the exacerbating conflicts and determination of the basic directions of policy in relations with the socialist and developing countries. All this brought about the need for the creation of a new international body with a limited number of participants within whose framework it might be possible to attempt to bring closer together the partners' positions on urgent economic and political problems, despite the increasing disagreements. Beginning in 1975, such a body was commissioned--meetings of the six and, as of 1976, of the seven leaders of the leading countries of the capitalist world--the United States, Japan, Britain, France, the FRG, Italy and Canada. These became regular meetings: in 1975 in Rambouillet, 1976 in Puerto Rico, 1977 in London, 1978 in Bonn, 1979 in Tokyo, 1980 in Venice, 1981 in Ottawa and in 1982 in Versailles.

As a result the discussion of the most serious questions, the development of concerted actions and decision-making began to take place in two stages, as it were--first at an OECD Council session and then at meetings of the "seven".

The singularity of this double-level system consists primarily of the fact that the official agenda of meetings of the "seven" includes mainly the questions which were discussed at the council sessions which preceded them. Thus whereas at the first stage the OECD participants "ascertain relations" in a wide range, discuss the most urgent problems and attempt to bring their positions on the most serious of them closer together, at the second stage--in the narrow composition of the "strong of this world"--the basic directions of economic policy are determined, as it were, and there is a search for possibilities of compromise in coordinating actions for surmounting the most intractable situations.

However, it would be wrong to believe that in acting the part of arbiter, as it were, the "seven" tackle the questions raised and not coordinated by the OECD Council sessions. Their functions are considerably broader. They have become a kind of supreme center determining the global strategy of imperialism as a whole, embracing here not only economic but also foreign policy and military questions.

The appearance of the new forum in the system of coordination of imperialism's domestic and foreign economic policy--the annual meetings of the seven leaders

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\* IBRD, IMF, GATT, UNCTAD, UNIDO and so forth.

of modern capitalism--is a very symptomatic phenomenon. It reflects the intensification of the general crisis of capitalism and the endeavor to find a way out of the blind alley of sharply aggravated interimperialist conflicts. It stands to reason that there is an organic connection between the "seven" and the leading centers of the North Atlantic bloc.

#### Questions of Economic Policy

Like the OECD, the "seven" also regularly at their annual sessions and meetings keep at the center of attention the problems of economic growth, energy and currency-finance problems, combating inflation and unemployment and foreign trade problems.\*

Economic strategy programs for two decades were developed within the OECD framework: the first (1960-1971) provided for an increase in the members' aggregate GNP of 80 percent (in constant prices) and the second (1972-1980) for a 65-70-percent increase. An attempt was made here to take account of a quite broad circle of social, economic and international factors influencing capitalism's economic development--the deterioration in economic conditions, increased inflation, the growth of unemployment, the balance of payments deficit, the exacerbation of energy, environmental and population problems and so forth. The main task here amounted to providing the organization's members with a realistic picture of the overall economic situation and the situation of individual countries and putting forward recommendations for the adoption of the necessary measures. The last forecast of long-term economic development (for 20-25 years), which the organization prepared in 1979, also serves the same goals.

Whereas the OECD concentrated its activity on forecasting and developing general recommendations, the "seven" at their first meetings confined themselves to ascertaining the facts and appealing for "stable and prolonged growth." Only at the Bonn meeting did the participants assume specific commitments to allocate additional resources to stimulate economic growth to the extent of 0.5-1.5 percent of GNP. At subsequent meetings in Tokyo and Venice, which were held under the conditions of the new "oil shock," the leaders of the capitalist world set themselves the common goal of developing a uniform energy policy which would be capable of securing an increase in the growth rate, given due energy supplies, while not causing the further development of inflation. A very evasive decision was adopted at the Ottawa meeting. Having noted the need for an improvement in the economies of the developed countries, the participants confined themselves merely to a call for interlinkage of the solution of the problems of reducing inflation and the level of unemployment, a reduction in the issuing of state loans, budget deficits and government spending and the stimulation of industrial capital investment. However, the meeting left unanswered the fundamental question of how to employ these already well-known methods of a possible recovery of the capitalist economy.

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\* For more detail see G.N. Prokhorova, "V tiskakh ekonomicheskikh protivorechiy" [In the Grip of Economic Contradictions], Moscow, 1980.

Meanwhile the capitalist economy is experiencing increasingly intensifying difficulties. And this is acknowledged by the top leaders of the bourgeois world. Prior to the last meeting in Versailles the position of the Western countries continued to deteriorate sharply. As the JOURNAL OF COMMERCE emphasized, "the gloomiest picture for the entire postwar period is outlined" and future prospects appear "even more depressing." The report "Prospects of the World Economy" emphasized particularly that in 1982 (for the third year running) the rate of economic development of the industrially developed capitalist countries would be very low. The increase in their aggregate real GNP would amount to only 0.75 percent instead of the anticipated, according to previous forecasts, 2 percent; inflation is continuing to develop, and the unemployment level has reached 30 million.

The participants in the Versailles meeting were forced to acknowledge the "seriousness" of the situation. However, on this occasion also the final declaration points to the participants' intention, instead of specific commitments and measures, to apply efforts for a further reduction in inflation and the achievement of a steady lengthy increase in the rate of economic development and increased employment. However, such pious wishes are incapable of effectively changing the increasingly exacerbating situation. Essentially they merely confirm the findings of an IMF report to the effect that "there are now swift and easy means" and that the governments of the Western countries "have no extensive opportunities" for overcoming the crisis phenomena shaking the capitalist economy.

In their coordinating activity the leading capitalist countries which are a part of the OECD and the "seven" have achieved certain results only in the coordination and realization of energy policy. The energy crisis posed sharply the task of the formulation of urgent measures to reduce the national economies' dependence on foreign oil sources and the principles of joint action in this area. The OECD drew up the "International Energy Program," which provides, inter alia, for the members' creation of the necessary oil reserves, mutual commitments with respect to limiting liquid fuel consumption, the more efficient use of their own energy resources and joint capital investments in the development of alternative energy sources. Subsequent steps in this field were the creation within the OECD framework of the International Energy Agency (IEA) and the adoption of an expanded program of joint R&D in the sphere of new energy sources. These steps represented practicable measures for a partial easing of the seriousness of the energy problem. However, the profound conflicts, particularly between the United States and the West European countries, in questions of the maximum limitation of oil consumption and mutual relations with the oil-producing OPEC members have prevented the full implementation of the adopted big programs.

The "seven's" "intervention" in the solution of these problems contributed to the adoption of more effective measures. At the London meeting the participants openly acknowledged for the first time that an increase in energy consumption by the leading countries under the conditions of the increase in oil prices would be negatively reflected in their economic and currency position and stressed the need in this connection for the more active development of alternative energy sources. A year later in Bonn the meeting's final document

recorded the participants' specific commitments and specified times of their fulfillment. For example, the United States promised by 1985 to have reduced oil imports to 340,000 tons, created a strategic oil reserve of approximately 1.4 million tons, raised domestic prices therefor to the world level and increased coal production by two-thirds. The United States and Canada guaranteed the other partners uranium supplies.

In Tokyo the participants in the meeting succeeded for the first time in arriving at a common viewpoint concerning the restraint of domestic consumption and determination of a fixed level of oil imports for each country up to 1985. The EEC countries undertook to limit annual oil consumption to 500 million tons, the United States resolved to reduce imports of oil and petroleum products to 425 million tons, Japan to 315-345 million tons and Canada to 30 million tons.

An accord was reached in Venice on a decline in the proportion of oil in the overall consumption of energy resources from 53 to 40 percent by 1990 (this decision essentially reflects the recommendations of the IAE), on the doubling of coal production by 1985, a halt to the construction of new power stations operating on liquid fuel and the accelerated transition of operating power stations to other types of fuel. In the light of the decisions adopted earlier the Ottawa meeting deemed it possible to confine itself to a declaration of the need to continue the pursuit of the concerted policy of the structural reorganization of the fuel-energy balance of the countries participating in the meetings.

Considering that in recent years there has been a constant decline in the consumption of oil in the capitalist economy at the same time as a halt to the increase in the price thereof,\* the energy problem did not figure among the main questions at the "seven's" meeting in Versailles. Its participants merely expressed the intention to continue the policy of saving energy, increase the use of coal and nuclear power and also expand cooperation in the creation of new technology in this sphere. It has to be emphasized that although the decisions of the "seven" and the OECD played a certain part in easing the energy problem, the main reason for the decline in the consumption of energy resources, particularly oil, which has been observed recently is the protracted deep recession in the capitalist economy.

Capitalism's currency-finance relations represent a principal aspect of OECD activity. As of 1970 the organization concentrated its efforts on the elaboration of concerted measures in the sphere of combating inflation and supporting the equilibrium of the members' balances of payments. The last decade showed that all the attempts to coordinate currency policy were in vain. In practice everything was confined to appeals to refrain from unilateral steps, particularly from devaluation of national currencies as a means of easing the situation in individual countries.

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\* In 1980 alone oil consumption in the world capitalist economy as a whole declined 5.5 percent, including 8 percent in the countries of North America, West Europe and Japan. According to IEA data, in the first quarter of 1981, oil consumption in the capitalist countries declined a further 6 percent compared with the corresponding period of 1980.

Neither within the OECD nor IMF framework was it possible to coordinate in practice the members' positions in the solution of cardinal currency-finance questions. And how did things stand and how do they stand now at the "seven" level? An accord was reached at the London meeting even for preventing possible "trade" and "currency" wars and strengthening the mutual support mechanism on stimulating capital exports from states with a favorable balance of trade to countries with a negative balance. In Venice it was emphasized particularly that the growing disequilibrium in the balances of payments caused by the increased cost of oil would require joint efforts for the restructuring of the international currency system and the creation of an efficient mechanism for financing payments deficits. The participants in the meeting confirmed again here their previous commitments to coordinate financial policy among themselves to avoid disorderly exchange rate fluctuations. But once again these accords were distinguished by their declarative nature and were not reflected in the actual state of affairs. This was graphically demonstrated by the Ottawa meeting. The main attention here was paid to the level of interest rates in the United States (by the start of the meeting they had exceeded 20 percent) as the most acute problem and the sharp fluctuation in the dollar's exchange rate, which in sum contributed to a large extent to the deterioration in the trade and payments balances and the national currencies and increased inflationary trends in the remaining countries of the "seven". The question was, it might have seemed, clear enough for its solution to also have been distinguished by clarity. However, the United States defended its credit-finance policy. And in the final communique the parties confined themselves merely to an indication of the "desirability of reducing interest rate and exchange rate fluctuations to a minimum." In other words, the "six" displayed their impotence while the United States "promised" to continue to follow the path which not without reason is characterized as a most important factor of the intensification of the crisis processes in the world capitalist economy.

Naturally, there was little change in this sphere of capitalism's economic life in the year which elapsed after the Ottawa meeting. American interest rates remained practically at the previous level, and the leading capitalist countries' exchange rates continue to fluctuate sharply. These problems have assumed particular seriousness inasmuch as they are directly connected with a reduction in capital investments in the production spheres, are disorganizing the West's financial system and are undermining international trade, that is, doing perceptible damage to capitalism's entire economy. Discussion of currency-finance questions occupied the central place at the "seven's" meeting in Versailles. All the remaining problems, even such urgent ones as combating inflation and unemployment and the economic growth rate, were relegated to a position of secondary importance.

As a result of the Versailles meeting the participants adopted a special document--"International Currency Commitment". What is particularly striking is on this occasion also the emphatic evasiveness of the wording, which fails to reflect the sides' specific commitments and measures to stabilize capitalism currency system. The participants in the meeting confined themselves merely to a recognition that they... understand the significance of the problem and the need for the coordination of the policy pursued by each country and also

expressed a readiness to strengthen cooperation with the IMF and with all countries concerned and, in the event of serious currency upheavals, "to intervene in the currency markets" in accordance with article IV of the IMF Statutes. All this obviously testifies that in the currency-finance sphere, despite the measures adopted by the OECD and the attention paid to these questions by the "seven," its participants have not succeeded in overcoming the existing conflicts, bringing their positions closer together and elaborating a more or less uniform currency-finance policy.

We should dwell on a further question which is very important for the capitalist economy--the coordination of trade policy. There is not a single OECD Council session nor a single meeting of the "seven" which does not discuss it. This question is becoming increasingly serious in connection with the trend toward an increase in protectionism, which has been manifested constantly in recent years and which threatens serious consequences for the capitalist world's system of international economic relations and is giving rise to trade conflicts and "wars".

The Declaration on Trade (1974)\* and a number of decisions on export credit, which were adopted within the OECD framework, are an attempt at interstate regulation in this sphere. In accordance with the declaration, the OECD members undertook not to resort to protectionist measures to limit imports from the participating countries and the artificial stimulation of their exports, conduct broad mutual consultations concerning the liberalization of trade and take account in their actions of the participants' commitments in relation to the developing countries. The decisions on credit provide for an exchange of information and the obligatory coordination of the terms of extending export credit to the members with a period of up to 5 and more years.

However, neither the decisions of the OECD nor the agreements reached within the GATT framework made it possible to remove the existing barriers in trade among the developed capitalist countries. For this reason the question of a liberalization of trade has been a permanent item on the agenda of meetings of the "seven". Under the conditions of economic recession and the growth of unemployment the problems of sales markets, sources of raw material and employment and currency-finance problems and so forth seemingly require particular attention and the removal of any impediments to the utmost development of reciprocal trade, but in practice this problem has become one of the most intractable and is giving rise to increasingly acute conflicts. It is indicative that at all the meetings of the "seven" which have been held it has not even been possible to bring the partners' positions closer together to achieve the necessary compromise. It is now a tradition that each final document of a meeting contains only a recognition of the need for a renunciation of the policy of protectionism and the importance of a continuation of multilateral negotiations and an appreciable reduction in customs tariffs and also appeals for the implementation of the agreements reached at multilateral trade talks. Nor was the latest meeting in Versailles an exception. On this occasion also the leaders of the "seven" discussed the

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\* See the OECD OBSERVER May-June 1975, p 8.

question of the trade-economic conflicts between Japan, the United States and the EEC--the three centers of rivalry--and yet again confirmed their endeavor to strengthen the "open multilateral system" and readiness and intention "to resist protectionist trends" and participate actively in the upcoming GATT meeting, which is to be make a comprehensive analysis of the fulfillment of the arrangements arrived at as a result of the "Tokyo round". And again not a single specific undertaking of the parties was recorded.

Thus the results of the activity of the leading capitalist countries in the sphere of coordination of economic policy, which was stimulated in the crisis period of the mid-1979's-start of the 1980's, graphically confirm that the emergence of the new international forum--the meetings of the "seven"--and the two-stage system of discussion of the most acute problems confronting capitalism at the current stage have by no means led to effective results in a genuine coordination of positions and the agreeing of joint of actions in a number of spheres of economic life. There are profound contradictions in respect of the most acute questions. And there can be no talk currently of the existence of any uniform economic policy. It remains a broadly declared goal whose achievement is complicated by the tremendous obstacles and difficulties of interimperialist rivalry.

#### Relations With the Developing Countries

The increased struggle of the developing countries for economic independence and the establishment of a new international economic order under the conditions of the changed correlation of forces in the world arena required of the developed capitalist countries not only new organizational measures but also the elaboration of a definite strategic line. In this sphere both the OECD and the "seven" have concentrated their activity in two areas: on the one hand "development aid" as a means of partially smoothing over the conflicts with the young states and, on the other, the formulation of a joint position at the most important international fora discussing urgent problems of the developing countries.

In the first case the OECD's coordinating role consists of the agreeing of uniform conditions of extending aid. The special Development Assistance Committee (DAC) was created within the organization's framework to this end. The committee members reached general agreement on the amount of aid, whose annual volume is to constitute 1 percent of its participants' GNP, including 0.7 percent thanks to state resources (loans, credit, technical assistance and so forth). However, in real life the outlined level of state assistance not only has not been achieved once but has even declined--from 0.52 percent of the DAC members' aggregate GNP in 1960 to 0.22 percent in 1980. The fall in the aid level is caused mainly by the reduction therein on the part of the United States, which is the leader in absolute figures in total resources granted the developing countries by the DAC members.

An important place in the DAC's activity is occupied by a change in the structure of the "development aid" rendered by the participants. On this level its efforts are geared to strengthening the positions of private foreign capital in the Asian, African and Latin American states which have gained

political independence, in the majority of which it continues to preserve quite a firm position. A reflection of this activity has been the increase in recent years in the proportion of private capital investments in the total financial resources obtained by the developing countries up to 64 percent at the end of the 1980's [sic]. The OECD is clearly implementing the strategic principle of a change in the nature of the international division of labor for a location of production forces in the world capitalist economy more profitable to imperialism. The DAC stands on positions of increasing the sum total of capital investments made under the guise of rendering aid, justifying this proposition for public opinion by the fact that only given the more active participation of private enterprise is it possible to ensure the efficient and rapid development of the emergent countries' national economies.

By virtue of the fact that the OECD is coping relatively "successfully" with the coordination of action in the rendering of "development aid," the "seven," inasmuch as they cannot owing to political considerations bypass the developing countries' economic problems, regularly speak in their declarations merely of the need to render them assistance in the form of credit. This was the case at the Tokyo and Venice meetings. The summary document of the Versailles meeting emphasized the importance of maintaining "at a high level the movement of capital and the rendering of official aid" simultaneously with its increased efficiency.

The role of the OECD and the "seven" in the sphere of coordination of the policy of the main capitalist countries for the solution of a number of problems of the economic situation of Asian, African and Latin American states strengthened following the Fourth UNCTAD Session (Nairobi, May 1976). Despite the West's resistance, the session, which adopted important decisions on raw material problems, questions of the transfer to the developing countries of technology and scientific-technical knowledge and a number of financial questions, was marked by a certain success of the Asian, African and Latin American states in the struggle for the establishment of a new international economic order. This could not have failed to have alarmed the imperialist powers.

It is significant that a month later the OECD Council session discussed the results of the Fourth UNCTAD Session. This same question was a topic of study at the "seven's" meetings in London and Bonn. As a result a common approach to discussion of the problem of the reorganization of international economic relations was formulated: the representatives of the capitalist states toughened their position and, taking advantage of the existing disagreements between the developing countries, essentially neutralized their proposals at the following, fifth, UNCTAD session (Manly, May 1979). As a result it was not possible to adopt constructive decisions on the most important points on the agenda--structural transformations in the sphere of international trade, eradication of protectionism and discrimination, the development of trade between countries with different socioeconomic systems and the establishment of control over the activity of the transnational corporations.

At the Ottawa meeting of the "seven" questions of relations with the developing countries occupied a special place. And there were impressive reasons for this. The first round of the North-South conference, which had been held from December 1975 through June 1977 in Paris, had concluded fruitlessly--the

parties were unable to reach agreement on the stabilization of prices of energy raw material and access of commodities from the developing countries to Western markets and on financial issues. And in 1979 the protracted dialogue came to a standstill altogether: the growth of the emergent countries' struggle for the reorganization of international economic relations, the capitalist states' increasing dependence on raw material and energy sources, the instability of the economic situation and the emergent countries' demand that the dialogue be transferred from a narrow circle to the UN framework. As is known, the correlation of forces here upon an absolute computation of votes takes shape not to the benefit of imperialism. The "seven" were forced to consent to a special summit meeting of representatives of the two groups of countries in Mexico (Cancun, 1981) and undertake the coordination of their positions.

The preparation and results of the meeting confirm for the umpteenth time that the actions of the "seven" are conditioned by a concerted policy aimed at preventing any radical changes in the evolved division of labor. The "International Meeting for Cooperation and Development," as the meeting of the leaders of 8 industrially developed capitalist and 14 developing countries was officially named, concluded, like all the previous stages of the North-South dialogue, fruitlessly in practice. Not one single specific decision which might have alleviated the situation in the developing world was formulated on the main problems--food, energy, trade and financial. The meeting essentially confined itself to an appeal for continued negotiations between the two groups of countries.

The participants in the Ottawa meeting also confined themselves merely to a declaration that "the economic growth of the developing countries and the extension of constructive relations with them are vitally important for the political and economic well-being" of the world and that the start of global negotiations on international economic cooperation for development purposes is an important political task.

#### From Economics to Politics

A characteristic singularity of recent meetings of the "seven," which have become an international forum, as it were, for solving capitalism's most important economic problems, has been their growing foreign policy thrust. Its principal targets have been the Soviet Union and the other socialist countries. Beginning with the Venice meeting, at which the question of East-West relations was an official part of the meeting's agenda for the first time, the "politicization" of the "seven's" decisions in this area has grown from meeting to meeting. This was manifested particularly at the last two meetings--in Ottawa and at Versailles. The documents adopted in Ottawa--"Political Statement" and "Declaration on International Terrorism"--are essentially entirely imbued with anti-Sovietism, reflect the increased aggressiveness of American imperialism and contain in addition to hackneyed references to the "Soviet threat" provocative paragraphs concerning Afghanistan, Kampuchea and the Madrid meeting of representatives of the countries which signed the Final Act of the Conference on Security and Cooperation in Europe.

Whereas in Venice East-West economic relations were discussed at a more or less general level, in Ottawa the participants in the meeting emphasized plainly in the published communique that "in the sphere of East-West relations our economic policy will remain compatible with our political goals." A point for which the United States had been striving persistently was inserted for the first time--the partners in the "seven" undertook to consult one another on questions of control over the sale to the Soviet Union of "strategic goods" and the technology connected with them.

In Ottawa the head of the U.S. Administration made a provocative attempt to put crude pressure on his West European partners in order to force them to follow the American policy of winding down trade and economic cooperation with the socialist countries. In particular, it was demanded of France that it cancel or at least reduce the number of compensation deals with the socialist countries and that all the West European partners renounce participation in the construction of the Siberia-West Europe gas pipeline. Intimidating its partners with "possible dependence" on Soviet sources of this important energy raw material here, the United States, as LE MONDE observed, attempted even to include a passage on the "Eastern threat" in the summary document. "We," the summary document emphasized, "are also studying the danger of vulnerability as a consequence of dependence on supplies of raw material and the markets of Eastern countries and will undertake joint actions to resist this danger."\*

At the Versailles meeting economic relations with the Soviet Union and the other socialist countries were now at the center of the participants' attention. In this connection the policy pursued and imposed on its partners by the United States was expressed even more specifically in the summary document. The participants undertook to adopt a differentiated approach to economic relations with the Soviet Union and the other socialist countries. The decision provides for control over exports of "strategic goods" to the socialist countries for the purpose of "the adoption of national measures to implement restrictions dictated by security considerations." An accord was reached on an exchange of information within the OECD framework on all aspects of economic, trade and financial relations with the USSR and the other socialist countries. The representatives of the "seven" also reached agreement on tightening the terms and restricting credit to the socialist states.

Thus the impression of the unity of the positions of the United States and its partners is created. In reality, however, this unity is only apparent and is the result of inordinate pressure by the United States and forced concessions on the part of the other participants. The same conclusion ensues from an analysis of the problem of the West European countries' extension of credit to the USSR and the other socialist countries. It has been discussed throughout the past 3 years. Having essentially ceased to extend credit, the United States demanded that the partners in the "seven" also renounce long-term credit for East-West trade-economic relations, which is the basis of large-scale economic cooperation. On the eve and at the outset of 1982 the United States even initiated the creation of a "financial COCOM" for regulating the terms of the extension of credit to the socialist countries. At the Versailles meeting the United States demanded in quite categorical form that the partners conclude agreements on limiting the amount of credit granted the USSR, reducing

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\* LE MONDE 24 July 1981.

the specified time thereof and raising interest rates. Thus we have a manifest reliance on a more discriminatory nature and, essentially, the undermining of the elementary principles of normal international relations.

The United States' attempts to foist on its partners the policy of winding down economic relations with the Soviet Union even goes beyond the OECD and "seven" framework. Two weeks after the Versailles meeting, the U.S. Administration, without any coordination with and forewarning of its allies, adopted the unprecedented decision to not only ban supplies to the USSR of equipment for the construction of the Siberia-West Europe gas pipeline but also to extend these sanctions both to affiliates of its companies in other countries and to foreign firms producing analogous products under American license. Having thereby flouted the commonly accepted rules of international law, the United States switched from pressure in the sphere of negotiations on coordination of the capitalist countries' economic strategy to open coercion of its partners to fulfill its knowingly illegal demands, which pursue a single goal--contributing to the ever increasing development of Washington's aggressive policy.

#### Growing Conflicts

The crisis upheavals of the 1970's, the change in the correlation of forces within the OECD and the "seven," the exacerbation of the international situation, the White House's gamble on a total abandonment of detente and the truly unprecedented orgy of militarism have intensified the former and engendered new conflicts between the leading imperialist powers. This is influencing appreciably the possibility of coordinating economic policy. The OECD Council sessions and the meetings of the "seven" over the past 2 years serve as a striking example of this.

The position occupied by the United States on currency-finance and trade questions, mutual relations with the developing countries and the endeavor to shift the burden of the crisis upheavals onto the partners is not only making adoption of concerted decisions more difficult but forcing the West European countries to seek means of counteraction. This was reflected in the fact that the meetings of the European Council (a meeting of the heads of state and government of the EEC) held prior to the meetings of the "seven" in Ottawa and Versailles were devoted in practice to the development of a uniform West European position resisting pressure on the part of the United States and the actions of Japan. However, neither in Ottawa nor in Versailles did the participants in the meetings succeed in reaching agreements obliging the United States to change its economic and financial policy. Furthermore, at the Versailles meeting the U.S. Treasury Secretary D. Regan declared that interest rates, which are exacerbating to a considerable extent the economic situation which has currently come about in Western countries, will not fall until the U.S. federal budget deficit is removed. And this, according to the administration, should not be expected before 1985. It was not fortuitous that literally the whole world heard Canadian Prime Minister P. Trudeau's phrase addressed in this connection to U.S. President R. Reagan: "How can you demand of us defense of the West's interests when you are killing us economically."

In the course of the OECD Council session which preceded the Versailles meeting the participants failed to reach agreement even concerning what should be given priority in the interests of a way out of the crisis situation-- combating inflation or unemployment. As a result the final communique again speaks in the most general terms about the OECD members' readiness to fight inflation, contribute to the development of the principles of free trade and relations with the developing countries, combat unemployment and so forth. Alas, OECD documents have repeatedly been filled with such literature. Although its participants signed the summary documents, each side actually reserved the right to its own interpretation. The events which followed literally a week after the meeting of the "seven" confirmed this with new force. Despite the accord that had been reached on striving for a strengthening of the stability of the international currency system, the French franc was devalued. Despite the commitments which it has assumed to strengthen the system of open international trade, the United States erected firm barriers against exports of West European commodities, particularly steel. A number of West European countries here openly accused Washington of "violating the spirit of Versailles" and pursuing a policy of protectionism, while the British FINANCIAL TIMES openly acknowledged that "for the first time in many years a trade war between Europe and the United States has become a real possibility."

Particular mention should be made of a further aspect of considerable importance--the exacerbation of conflicts between the United States and the other participants in the OECD and the "seven" on the question of economic relations with the socialist countries. Two opposite trends have manifested themselves increasingly distinctly in recent years. On the one hand the majority of West European countries and Japan are moving toward the conclusion of long-term agreements on trade-economic cooperation with the socialist countries as a counterweight to the direct discriminatory measures on the part of the United States. On the other, pressure of the United States on its partners of unprecedented proportions for a kind of economic blockade of the USSR and a number of other socialist countries has revealed itself distinctly.

Being more dependent on foreign markets for the sale of finished products and sources of raw material (the export volume of the "seven's" West European members constitutes over 25 percent of their total GNP, as distinct from the United States, where this indicator constitutes 10 percent), the Western European states and, with a few exceptions, Japan are refusing to unconditionally follow the course indicated by Washington. The opinion of these countries has been expressed repeatedly by FRG Federal Chancellor H. Schmidt, who has emphasized that East-West foreign economic relations should be built by proceeding not from the political interests of the United States but from the economic interests of the West European countries.

And although under U.S. pressure the summary document of the Versailles meeting incorporated unprecedented commitments of the participants in respect of foreign economic relations with the socialist countries, this by no means signifies that the conflicts on the question have been overcome. The majority of Western countries is evaluating the decisions of the meeting as a kind of compromise among the participants in the "seven" which, like other points of the final declaration, may be interpreted by each side in its own way.

The fact that immediately after the "seven's" Versailles meeting there followed President Reagan's essentially provocative action, which was a surprise for the United States' allies and which is a manifest violation of the sovereignty and stipulated rights of the Western states, is highly characteristic of the true relations among the partners in the "seven". It is not enough to say that the endeavor to disrupt the construction of the Siberia-West Europe gas pipeline hits at very appreciable economic interests of the Western countries, it demonstrates to the whole world that the imperial, hegemonist aspirations of the transatlantic rulers know no bounds and that Washington resorts to the language of diktat even in relation to its partners. The U.S. leaders are calculating, relying on strength, on dominating the international arena and arbitrarily dictating their will to other countries and peoples.

The U.S. Administration's action evoked a sharply negative reaction on the part of the West European countries, which was also reflected in a statement of the European Council. Even Britain, which, as distinct from the West European countries, has mainly followed the United States in East-West relations, declared that it intends to take legal action against the policy of the U.S. Administration, which is endeavoring to disrupt the construction of the gas pipeline, which is so beneficial for the economies of the West European countries. As the British OBSERVER newspaper noted, things are clearly heading for the most ruinous internal conflict between the United States and West Europe, like that which the West experienced after 1945.

Of course, the sharp exacerbation of interimperialist conflicts does not mean that the NATO participants, which are linked by class community and membership of a single imperialist bloc, will not make efforts to find more or less acceptable compromises.

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## 'BOURGEOIS' PRODUCTION RELATIONS ENGENDER STRUCTURAL CRISES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYE OTNOSHENIYA in Russian No 9, Sep 82 pp 103-110

[Article by G. Kumanin: "Structural Crises in the Economy of Capitalism: Some Contentious Issues"]

[Text] A most acute problem of present-day capitalism are the lengthy, sometimes chronic upheavals of certain sectors and spheres of the economy arising relatively independently of the movement of the industrial cycle. They are usually called structural crises. They have been thoroughly illustrated in the works of Soviet economists.<sup>1</sup> At the same time the problem has still not been explored sufficiently, which is explained by its multifaceted and complex nature. Even the list of phenomena implied by the term "structural crises" remains as yet imprecisely sketched. Their causes do not reveal themselves straightforwardly. The interpretation of such crises advanced by various authors is in need of additional proof. Individual aspects thereof appear debatable. Responding to the invitation of the journal's editors in connection with the publication in the journal of A. Bel'chuk's article,<sup>2</sup> the author offers his thoughts on some of the enumerated issues.

### Causes of the Structural Crises

Objective processes of the development of the production forces and factors of a superstructural nature have played a certain part in the emergence of structural disruptions in the capitalist economy. While acknowledging the significance of the said prerequisites of the ripening of structural crises, Marxist experts give priority to their socioeconomic causes.<sup>3</sup> The author of this article also concentrates his attention on them.

It appears to us dubious that phenomena of the most diverse origin relate to structural upheavals.<sup>4</sup> This approach opens the doors to too broad an interpretation of the structural disruptions uniting in this case features of varying quality, to which A. Bel'chuk rightly objects.<sup>5</sup>

At first sight the disproportionality, anarchy and spontaneity of capitalist production serve as the cause of structural crises. However, they do not in themselves explain the necessity of structural upheavals. Given the commodity form of production, the disruption of national economic proportions occurs gradually. Any economic crisis under capitalism matures under the conditions

of spontaneity and anarchy, being a means of overcoming the disproportions. To understand the causes of structural crises it is necessary to reveal the roots and specific features of the disproportionality which conditions their development.

Sectorial disproportions do not necessarily lead to a crisis. They are removed either in the process of competition by way of a transfusion of capital or, if this does not occur, a crisis arises which acts as a means of restoring the disrupted proportions in social reproduction.<sup>6</sup>

A structural crisis arises upon a limitation of competition and the mechanism providing for the interconnection of individual components of the economy of the capitalist countries. The monopoly is an obstacle in the way of competition.<sup>7</sup> In the most general form its role in the creation of the conditions for structural crises consists of the conscious formation and maintenance of an intersectorial distribution of capital which impedes the formation of an average profit norm and permits a monopoly to realize itself in superprofits. However, until the monopoly is sufficiently strong and stable to resist competition in any phase of the cycle, the emergence of a structural crisis which does not merge with a cyclical eruption of conflicts and does not become a feature thereof is impossible. An acute structural disturbance independent of the cycle develops on condition that a monopoly is maintained even at the time of the cyclical crisis, preventing the restoration of the disrupted proportions.

We believe that a structural crisis temporarily solves the contradiction between monopoly and competition. A disruption of competition makes the transfusion of capital more difficult, as a consequence of which it cannot effectively perform the function of equalization of the profit norm. At a certain stage of its development the disproportions in the distribution of capital by sector become so profound as to impede the normal process of reproduction and lead to sectorial crises.

The difficulties of the transfusion of capital as a consequence of a limitation of competition are a principal cause of the great duration of structural crises. This feature, just like their independence of the dynamics of the cycle, is emphasized by A. Bel'chuk also.<sup>8</sup>

Despite the differences in an understanding of structural crises, it has become generally accepted to put the energy and raw material crises in this category. They are similar in their causes and content. We shall attempt on the basis of the example merely of the most acute, energy, crisis to ascertain the common features of structural crises.

The prerequisites of the energy crisis ripened simultaneously with the development of the crisis of the capitalist coal industry. In addition, we believe that the disproportions which were the point of departure therefor became the foundation containing the necessary conditions for the emergence of profound upheavals in the energy field and in the spheres of the economy allied with it. For this reason we turn first to the crisis phenomena in coal production, which preceded the current energy crisis.

The chronic crisis of the coal industry arose back in the 1920's. Its prerequisites were connected with the changes in the international division of labor as a result of World War I. However, the main culprit of the crisis were the oil-producing monopolies. They took advantage of the favorable conditions which had taken shape after the war for an offensive against the coal-producing companies. Buying up patents, the oil companies impeded technical progress in the coal industry. The low prices for liquid fuel forced the coal producers to sell their product at prices which did not correspond to its production conditions. As a result the oil corporations considerably superseded the coal-producing companies in the sales market of energy carriers and raw material for chemical industry. Subsequently the outflow of capital from the coal industry changed its distribution between coal production and oil production. The formation of new proportions in social production was accompanied by a structural crisis of the coal industry, which hit Great Britain to the greatest extent. The working of the very rich oil deposits in the emergent countries, particularly in the Near East, began in the 1950's. With their development there was a sharp deterioration in the competitiveness of the coal industry. A world crisis thereof arose which embraced the industrial centers of capitalism.

The cost of oil production in the newly developed regions was far lower than in the developed states, but the emergent countries' oilfields did not cater fully for the capitalist world's liquid fuel requirements. Given this situation, world oil prices should have been guided by production conditions in the developed capitalist states. In this case the emergent countries would have obtained differential rent. However, as a consequence of the diktat of the international oil corporations the developing countries' revenues from exploitation of the oilfields did not correspond to the demands of the objective economic laws of capitalism. Deliberately impeding the prospecting for and production of oil in the developed capitalist states and plundering the emergent countries, the oil companies acquired the possibility of maintaining oil prices at a level whereat coal production became unprofitable.<sup>9</sup> The policy of exclusively low oil prices made it possible to suppress competitors in the coal industry.

The use of cheap oil as a source raw material entailed appreciable structural shifts in the development of a number of sectors of processing industry. Under the influence of the competition of the cheap petrochemical product there was a drop in demand for certain types of natural raw material, which brought about protracted overproduction crises in the corresponding sectors of the economy of the capitalist countries.

The deterioration in the conditions in these spheres of the economy cannot be interpreted merely as a process brought about by the superseding of the old, traditional production processes by more progressive, modern ones. For example, the crisis phenomena affected not only the manufacture of natural yarn. The production of chemical fiber, for which wood cellulose and cotton pulp--viscose and acetate fiber--serve as the raw material, is declining also. In the United States, for example, from 1950 through 1978 the manufacture of cotton yarn declined from 4,683 to 3,041 pounds, woolen yarn from 635 to 115 pounds and viscose and acetate fiber from 1,350 to 871 pounds. The opposite picture

has been observed in the production of synthetic fiber, which uses petroleum products as raw material. Even in the United States, where predominantly gas serves as the raw material for petrochemical industry, the manufacture of synthetic fiber in the same period increased from 141 to 8,365 million pounds.<sup>10</sup>

In our view, a structural crisis may arise not only as a consequence of the domination of monopolies but as a result of the undermining thereof. The exacerbation under the conditions of general overproduction of all the contradictions of capitalism, including those between monopoly and competition, acts primarily as the factor making the omnipotence of monopoly capital more difficult. But in this case the structural crisis merges with the cyclical crisis, not acting as a special phenomenon. The raw material crisis which spread in the course of the world cyclical slump in industrial production of 1957-1958 and which ended only at the start of the 1960's may serve as an example.

If the obstacles in the way of a monopoly are caused by factors which are not engendered directly by the development of the economic cycle, independent structural crises arise. The present-day energy crisis and the raw material crisis of the start of the 1970's fall into this category.

The energy crisis was connected with the struggle of the emergent oil-exporting countries against foreign monopolies' exploitation of their natural resources. In the new situation the corporations producing liquid fuel preferred to change tactics. They switched from squeezing competitors out of the market to attempts to penetrate production itself. As a result the oil monopolies became energy monopolies. They controlled one-third of coal production, for which 15 of the sector's biggest companies were responsible, in 1976 in the United States.<sup>11</sup>

Until the coal industry had entered the orbit of these monopolies' production activity, the latter had an interest in artificially maintaining the overproduction of coal. Having become energy monopolies, they changed their price policy. The profitable development of new sources of energy and also the exploitation of oilfields in the developed capitalist countries gave them an interest in an increase in world oil prices. As a result, following a 20-year stable price level, the price of oil was raised in 1972 by the energy monopolies themselves by a factor of 1.5 compared with the 1950-1970 level.

The considerable increase in the cost of oil in 1973 in connection with the nationalization of the oilfields and other efforts made by the OPEC countries to achieve their economic independence gave the energy monopolies a pretext for putting the entire blame for the increased prices on the oil-exporting countries. However, at the basis of the prices determined by the OPEC countries are the demands of objective economic laws of capitalism, which determine, *inter alia*, that the owners of the resources, which are exploited with relatively low costs, obtain differential revenue.

With the exacerbation of the structural crisis the energy companies, stockpiling petroleum products, limited the market supply thereof. Speculating on the measures adopted by the OPEC countries, the monopolies deliberately brought about a shortage of petroleum products, which enabled them to increase their

profits despite the increased prices at which the emergent countries sold them liquid fuel. After the exporting countries had sharply increased oil prices, in 1974 U.S. oil company profits after taxes increased by a factor of 5.6 compared with the 1970 level. The corresponding indicator for all U.S. processing industry corporations increased by a factor of only 2.8. Analogous indicators for 1980, after the next upward spurt of oil prices, compared with 1978 increased by a factor of 2 for the oil and coal companies, but only 1.1 for the corporations of U.S. processing industry as a whole.<sup>12</sup> The considerable growth of the oil firms' profits under the conditions of the energy crisis was possible as a consequence of the jacking up of liquid fuel prices by the monopolies themselves.

Western economists' attempts to portray matters such that the oil-producing countries are the culprits of the energy crisis are groundless. The actions of OPEC lent impetus to the development of a crisis whose conditions had evolved as a result of the activity of the monopolies, which had created disproportions not only between the energy sectors but in other spheres of the economy also as a consequence of their hypertrophied orientation toward the consumption of petroleum products to the detriment of other types of energy and raw material. Had there been no monopolies, a different distribution of capital per sector, a different price structure and level and other proportions in the fuel balance between oil and coal would have taken shape. The monopoly regulation pursued by the oil cartel was the first cause of the energy crisis. The struggle of the emergent countries for their economic independence only exposed, but by no means created the disproportions, which had been engendered by the monopolies' endeavor to obtain superprofits.

The increase in the developing countries' export prices enables them to collect the proceeds which previously were confiscated by the oil corporations. New conditions of the functioning of capital and the production and sale of fuel arose.

The undermining of the monopolies' positions does not mean that the major corporations have been deprived of the opportunity to extract superprofits. However, to maintain and increase them they have been forced to move toward a change in the existing structure of the intersectorial distribution of capital.

The reorganization of energy facilities in the industrial states requires large-scale investments and considerable time. The OPEC countries can take advantage of this fact by pursuing a price policy profitable to them. However, the nationalization of the oilfields and the emergent countries' concentration of oil production in their own hands are by no means a panacea permitting them to wholly rule out the plunder of their national wealth by the energy companies. The limited possibilities in the OPEC countries' adoption of radical measures for combating the monopolies have been correctly noted in literature.<sup>13</sup>

#### Overproduction or Underproduction?

The current structural crises are usually regarded as phenomena of underproduction. This interpretation has become a primer, but appears, nonetheless, contentious.

Even in an examination of the crisis of the coal industry the overproduction characteristic of it is sometimes called in question.<sup>14</sup>

However, it had all the signs of overproduction. A winding down of coal production and a decrease in production capacity were observed. Capital reproduction in the sector was disrupted. A most important indication of overproduction--the impossibility of the profitable sale of part of the commodities and reduced sales brought about by the excess of supply over demand--was to hand. A halt to the sale of commodities is only another name for overproduction.<sup>15</sup> Such a sectorial overproduction crisis is not necessarily preceded by an increase in the manufacture of products. It is material that the crisis appears as an expression of the overaccumulation of capital. It became redundant even given a winding down of production inasmuch as demand fell more rapidly than supply. It is this form of the partial crisis of overproduction which has become possible under imperialism, when the monopolies hold back the manufacture of goods in the name of increasing their profits. As a consequence of the pressure of the oil monopolies the decrease in production in the sector was not accompanied by an increase in the price of coal. The cost mechanism of equalization of the correlation between effective demand and supply was not triggered.

It seems to us that there are not sufficient arguments even for interpreting the energy and raw material crises as phenomena of underproduction. Two circumstances evidently served as the grounds for such a conclusion. First, the reduction of the crises to the ensuing processes in power engineering and mining industry, without regard for the situation in allied sectors of the economy consuming fuel and raw material. Second, the sharp spurt in oil prices in the last 10 years and also raw material prices at the start of the 1970's.

A price rise usually testifies to the lagging of supply behind the need for this product or the other and the shortage of a corresponding consumer value. However, the distinction between a shortage or surplus of a product and underproduction or overproduction of a commodity appears important in an examination of capitalist crises. Such a delimitation thereof by A. Bel'chuk merits support. The author correctly emphasizes its importance for revealing the nature of structural disruptions as phenomena of overproduction or underproduction.<sup>16</sup> A shortage of this specific product or the other is compatible with its overproduction as a commodity. In this connection it is fitting to recall the striking example of overproduction at the time of an acute shortage of the raw material at the start of the 1860's--the cotton famine. It was brought about by the Civil War in the United States and developed into overproduction in the cotton industry.<sup>17</sup> A shortage indicates a lack of this CONSUMER value or the other. Overproduction is a phenomenon inherent in exclusively CAPITALIST [boldface] production. "Overproduction occurs in connection with an increase in value, and not otherwise."<sup>18</sup> The overproduction of some commodities together with the underproduction of others does not relate to exchange value but consumer value.<sup>19</sup>

Underproduction in the sense of the lagging of supply behind effective demand is not typical of capitalism at all. Even under the conditions of the world wars, when an acute shortage of a number of consumer goods was perceived and the state pursued a policy of strict price regulation, underproduction was not observed.

Spontaneous forces found an outlet in the increased prices of consumer goods on the black market. The oil shortage at the time of the energy crisis also by no means testifies to underproduction. The limiting of gasoline sales immediately prior to the 1974 price increase and the liquid fuel shortage in 1979 might have served as a motive for such a conclusion. However, the energy monopolies consciously restricted the flow of petroleum products to the market. They used the artificially created shortage as a pretext for the subsequent sharp swelling of prices, to which the figures on the profit dynamics of the oil corporations at a time of exacerbation of the energy crisis which we cited testify. The latter, like the raw material crisis also, is regarded by Soviet economists primarily not as an excess of demand over the supply of energy carriers and mineral raw material and not as a physical lack thereof, general shortage and depletion of reserves. On the contrary, it is claimed that there is no absolute shortage and that one is not anticipated in the future with respect to the overwhelming majority of types of raw material.<sup>20</sup>

Upon disclosing structural crises the emphasis is put on the general increase in fuel costs, the change in price proportions, the threat of a disruption of supplies and the change in the conditions of the attraction of foreign capital.<sup>21</sup> None of this characterizes the unfolding situation as underproduction. Consequently, there are no grounds for interpreting structural crises and underproduction either in the sense of supply outpacing effective demand or in the sense of an absolute shortage of this natural resource or the other.

The current structural crises were expressed most strikingly in the sharp increase in the costs of energy carriers and raw material. The singularities of the price-forming for extractive industry products and the general crisis of capitalism were the specific conditions which determined the distinctiveness of the specific forms of the crisis, primarily in power engineering itself--the spurt in the prices of its products. However, their increase is only one and not the most material expression of the structural upheavals. The increase in prices is not in itself evidence of a crisis. What is material is something else--the increase in the costs of energy and raw material causes the rise in outlays. It creates a threat of a reduction in profits and contributes to the emergence of overproduction in the sectors consuming fuel and raw material. In our view, the energy crisis cannot be divorced from its consequences for all spheres of the economy.

The undermining of monopoly concerns not only the positions of the oil corporations. There has been a change in the position of sums of capital in the sectors prospering on the basis of the rapid development of the oil and petrochemical industry. Indications of an overaccumulation of capital emerged in all these spheres of the economy and in a number of cases developed into sectorial overproduction crises.

A decline in the manufacture of synthetic fiber was observed at the end of the 1970's as a consequence of the jump in oil prices. Right up to the 1979-1982 crisis its production in two out of every six countries which are the main producers of this product had not reached the level which had preceded the 1974-1975 world crisis. Synthetic fiber encountered on the market the growing pressure of a substitute commodity--natural yarn imported from the emergent

states. As a consequence, a reduction in the manufacture both of natural and synthetic fibers was observed in the developed capitalist countries. The production of synthetic rubber and plastics using petroleum products as a raw material was unstable throughout the 1970's in the developed capitalist countries. In the United States and Britain, for example, the manufacture of synthetic rubber in 1980 was still less than in 1973. The factors which brought about the "erosion" of the energy companies' dominating position in the oil industry played a certain part in the disruption of the monopoly positions of firms operating in certain other sectors of the capitalist economy. The brunt of the energy problems is being borne by the auto industry, particularly that of the United States.

The supply of oil to the imperialist states from the OPEC countries, represented primarily by the Near East countries, brought about a boom in ship building, primarily in the building of tankers. The closing of the Suez Canal in 1967 also contributed to the upsurge of business activity in the sector. With its resumed operation in 1975 part of the merchant fleet proved superfluous. The trend toward the reorientation of the imperialist countries toward intranational fuel and raw material sources also impeded the burgeoning of ship building. The turning point in this respect was the mid-1970's, when an overaccumulation of capital in the merchant fleet and in ship building was revealed. Thus the upsurge and subsequent slump in maritime commercial shipments, just like the rise in business conditions and the crisis in ship building, were brought about by the consequences of the crisis of the coal industry and then of the energy crisis.

The imperialist states' ferrous metallurgy has long been experiencing the approaches of low business conditions. Its serious situation is a consequence of, *inter alia*, competition with metal of cheap materials and petrochemical products. In this sense the sources of the structural problems in ferrous metallurgy are interwoven with the causes of the crisis of the coal industry. The current energy crisis lent new impetus to the development of difficulties at the new stage even. To the extent to which there was a drop in demand for metal on the part of ship building and, partially, of auto assembly, there was an exacerbation of the structural contradictions which caused the protracted crisis in the ferrous metallurgy of the developed capitalist countries in the past decade.

The energy crisis (just like the raw material crisis of the start of the 1970's) represents a crisis of capitalist monopoly and at the same time the capitalist international division of labor. First, it is a crisis of the monopoly distribution of capital between the oil and coal sectors of production; second, in the distribution of capital between the developed and developing countries; and, third, between petrochemical industry and a number of other sectors producing raw material and intermediate commodities. All these crisis processes developed under the conditions of the general crisis of capitalism, when the emergent states took real steps toward the achievement of their economic independence. In this sense the energy and raw material crises are the result of the crisis of neocolonialism.

It seems to us that there is one ultimately cause of all the structural disruptions in question. They are brought about by the sharp disproportions whose emergence

was caused by the existence of capitalist monopoly. Structural crises are a special form of crises arising under an exacerbation of the contradiction between monopoly and competition which requires shifts in the sectorial structure of social production. Dictating a distribution of capital by sector which ensures monopoly superprofit, the capitalist monopoly invariably comes into conflict with competition, which predetermines a different intersectorial distribution of capital.

In our view, it is possible to distinguish two types of structural crises. At the basis of the first are the disproportions caused by the monopolies' limitation of competition and their suppression of the producers of substitute commodities. Such crises disrupted the normal course of reproduction in coal and textile industry and in a number of other sectors. The structural upheavals of the second type arise at the time of the undermining of the monopoly position of major firms, which requires a break with the intersectorial proportions in the distribution of capital which they created. The current energy crisis, which includes crises in the spheres of the economy consuming petroleum products, and also the raw material crisis of the start of the 1970's figure among the crises of this type.

Ultimately, structural crises are engendered by bourgeois production relations. They are becoming a chronic ailment of the current stage of development of monopoly capitalism.

#### FOOTNOTES

1. Yu.A. Yershov, "Raw Material, Fuel, Policy," Moscow, 1975; "The Energy Crisis in the Capitalist World," Moscow, 1975; "New Phenomena in Modern Capitalism's Power Engineering," Moscow, 1979; "Modern Capitalism's Raw Material Crisis," Moscow, 1980; A.I. Bel'chuk, "Economic Crises of Modern Capitalism," Moscow, 1981; S.M. Men'shikov, "Modern Capitalism: From Crisis to Crisis," Moscow, 1981; Yu.V. Shishkov, "The Capitalist Economy Without a Compass," Moscow, 1981; and others.
2. A. Bel'chuk, "Structural Crises of Modern Capitalism" (MEMO No 12, 1981). A. Bel'chuk's position is expounded in more detail in his monograph mentioned above. We refer to it subsequently.
3. See, for example, "Present-Day Global Problems," Moscow, 1981, p 152.
4. See A. Bel'chuk, Op. cit., p 215.
5. See ibid., pp 212, 222.
6. See K. Marx and F. Engels. "Works," vol 26, part II, pp 579-580.
7. The role of a monopoly in the emergence of structural crises is noted by, for example, L. Lyubimov (see MEMO No 12, 1974, p 17)
8. See A.I. Bel'chuk, Op. cit., pp 212-215.

9. From the 1950's through the start of the 1970's the index of world oil prices was practically unchanged, but relative to the prices of finished industrial products had declined 22.6 percent in 1970 compared with 1950.
10. "Statistical Abstract of the United States," 1977, p 812; 1970, p 816.
11. See BUSINESS WEEK 28 November 1977, p 76.
12. See "Statistical Abstract of the United States," 1977, 566; SURVEY OF CURRENT BUSINESS January 1981, p S-17; September 1981, p S-17.
13. See S.M. Men'shikov, "Op. cit., pp 186-189; "Modern Capitalism's Raw Material Crisis," pp 127-128.
14. See S. Dalin, "World Sectorial Crises" (MEMO No 10, 1979, p 39).
15. See V.I. Lenin, "Complete Works," vol 34, p 364.
16. See A.I. Bel'chuk, Op. cit., pp 316-317. Unfortunately, the author is insufficiently consistent, employing the said delimitation only in an examination of the food problem.
17. For more detail on the cotton famine and its consequences see K. Marx and F. Engels, "Works," vol 28, pp 457-469; vol 25, part I, pp 137-149; L.A. Mendel'son. "Theory and History of Economic Crises and Cycles," vol I, Moscoe, 1959, pp 600-608.
18. K. Marx and F. Engels, "Works," vol 46, part I, p 405.
19. See ibid., p 404.
20. A.I. Bel'chuk, Op. cit., pp 218, 241, 246, 265; Yu.V. Shishkov, Op. cit., p 133.
21. See A.I. Bel'chuk, Op. cit., pp 218, 265, 281.

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